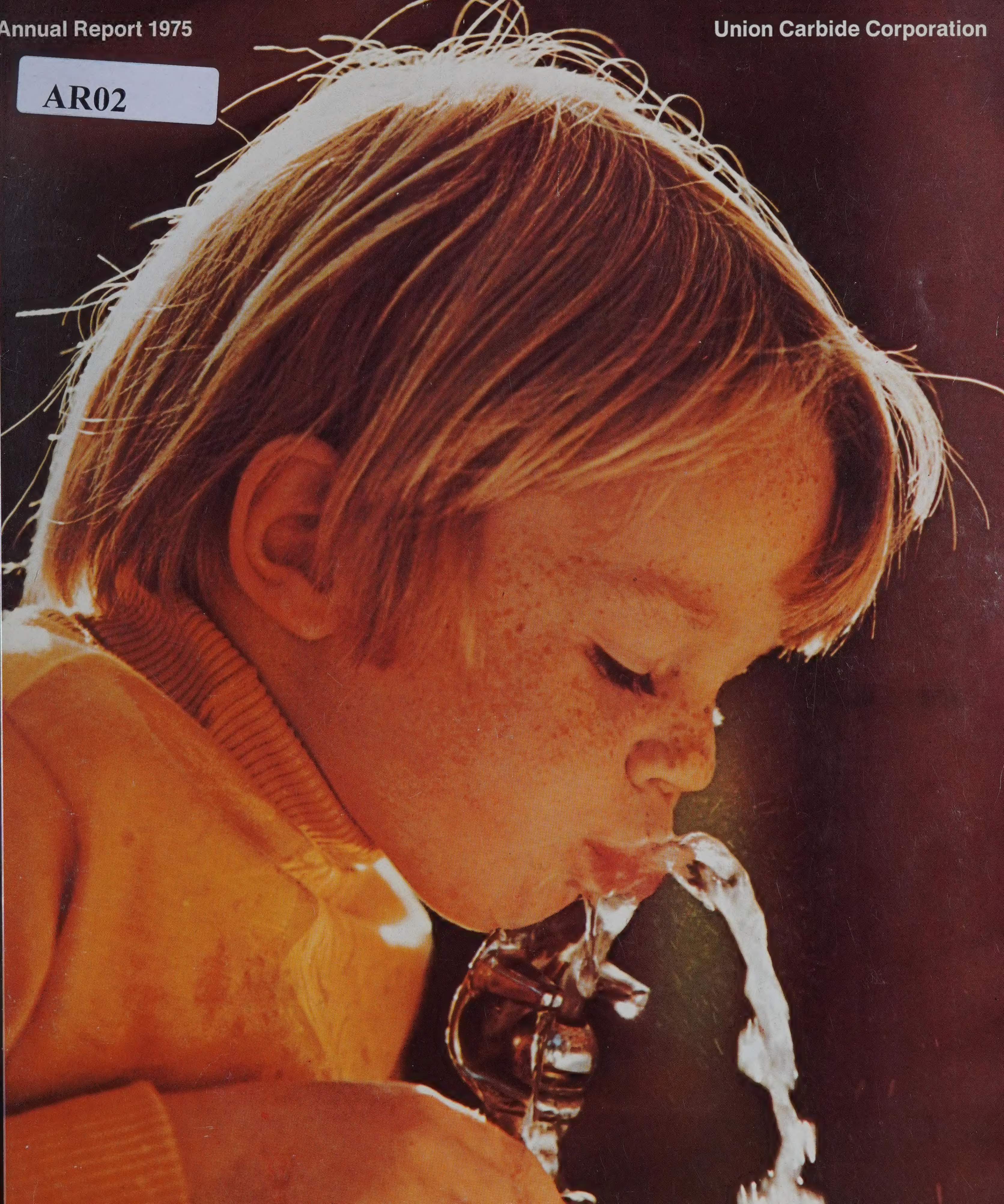
Annual Report 1975

Union Carbide Corporation



About Union Carbide

Union Carbide Corporation is among the nation's 25 largest industrial companies, with 1975 worldwide sales of over $5.6 billion. It is engaged in three major lines of business: chemicals and plastics; gases, metals, and carbons; and consumer and related products. While Union Carbide is primarily a manufacturer of basic products used by the chemicals, plastics, and metals industries, it also makes products sold directly to the consumer, such as *Eveready* batteries, *Prestone* anti-freeze, and *Glad* bags. Union Carbide is a major multinational company with about 30 percent of its sales and earnings coming from international operations. It employs more than 100,000 people, operates about 500 plants, and has close to 170,000 stockholders.

Chances are the serious-looking youngster on the cover is not concerned with the purity of the water that spouts from the fountain; but, fortunately, others are. In fact, many towns and cities are using a system called *Unox* to treat the thousands of tons of wastewater generated by their citizens each day, so that it will be cleaner when discharged into the rivers and lakes providing much of the nation's drinking water. This unique development represents another of the many ways in which Union Carbide touches your life.

Financial Highlights

(Dollars and Shares in Millions — Except Per Share Figures)

For The Year

	1975	1974
Sales	$ 5,665.0	$ 5,320.1
Net Income	$ 381.7	$ 525.1
Per Share	$ 6.23	$ 8.61
Dividends	$ 146.9	$ 132.6
Per Share	$ 2.40	$ 2.175
Depreciation	$ 269.8	$ 248.3
Research and Development	$ 120.2	$ 94.2
Construction	$ 862.2	$ 516.6

At Year-End

	1975	1974
Working Capital	$ 1,654.4	$ 1,347.0
Total Assets	$ 5,740.8	$ 4,879.2
UCC Stockholders' Equity	$ 2,748.0	$ 2,502.4
Per Share	$ 44.80	$ 41.01
Shares Outstanding	61.3	61.0
Number of Stockholders	169,000	187,000
Number of Employees	106,475	109,566

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To Our Stockholders

Performance analysis is an important aspect of Union Carbide's new management improvement program. It is applied from the top down, beginning with Board Chairman F. Perry Wilson and President William S. Sneath.

In 1975, Union Carbide was affected by the worldwide recession to a greater degree than we had anticipated. Sales increased by 6 percent to a new high of $5.67 billion, but earnings declined 27 percent to $381.7 million, or $6.23 a share. Nevertheless, 1975 proved to be the second best year in our history, and an improving trend was evident at year-end.

In retrospect, it is apparent that earnings in the record year 1974, fueled by shortages and artificially high demand, were at an abnormally high level. Conversely, 1975 results seem clearly to have been below the trend line. Thus we believe the average of the past two years affords a better picture of Union Carbide's true earnings progress than does either year individually.

The general downturn in the worldwide economy particularly affected our plastics, metals, and carbons businesses. Geographically, we were affected more severely in Europe and the Far East, and less severely in Canada and Latin America, than in the United States.

Prices

Domestic sales volume, expressed in physical terms, declined 18 percent. Average selling prices, however, were 29 percent higher than in 1974. Most of the price increase stemmed from the fact that prices rose sharply throughout 1974; thus prices at the beginning of 1975 were already considerably above the average for the 1974 year. The increase between the beginning and the end of 1975 amounted to only about 4 percent.

On the whole our selling prices did not rise enough to cover increased costs, affected as they were by lower volume. Earnings per dollar of sales declined from just under 10 cents in 1974 to 6.7 cents in 1975. Moreover—and of prime importance—Union Carbide's domestic construction cost index was 20 percent higher than in 1974. It is essential over the long term that selling prices not only reflect changes in out-of-pocket operating costs, but also allow a satisfactory return on the investment base.

Commitment to Growth Maintained

In spite of the recession, we have stayed on a steady course committed to future growth. We did not curtail programs necessary to achieve long-term growth in order to improve short-term earnings. Outlays for research and development were increased by 28 percent. Construction expenditures amounted to $862 million in 1975, versus $517 million in 1974. Worldwide employment declined by only 3 percent.

Outlook for 1976 and the Longer Term

We look for a gradual recovery from the recession in 1976, both in the United States and abroad. Our economists forecast a growth in real GNP of 6 percent in the United States and 2 to 3 percent in Europe. Given this economic environment, we expect our worldwide sales revenue to increase by about 20 percent and our earnings to improve by a somewhat greater factor.

We will continue to give strong support to those major established businesses in which we hold superior positions. At the same time, we are working to increase the percentage of unique and proprietary products, particularly those that require less investment or are directed toward consumer or specialty markets.

We are reinforcing our historical emphasis on technology, with plans to increase research and development expenditures in 1976 by an additional 25 percent. We are maintaining an ambitious construction program, expecting to

People and capital needs concern William B. Nicholson, Vice-Chairman, and William E. Pardoe, Senior Vice-President and Chief Financial Officer.

Union Carbide's worldwide operations report through three executive vice-presidents: Warren M. Anderson, Douglas H. Freeman, and Fred B. O'Mara.

spend approximately $1 billion in each of the years 1976 and 1977. We will not, as a general rule, back integrate in order to secure supplies of hydrocarbon raw materials. We feel these will be generally available at competitive prices and that the risk of interruption of supply is slight.

Business Criticism and Government Regulation

We are concerned about the rising tide of criticism of business, particularly big business. There is a tendency to attribute many of the ills of society to business and the free enterprise system, while the positive contributions are ignored. Certainly there have been instances of deplorable business conduct. Nevertheless, the transgressions of a few do not warrant the condemnation of business generally.

We are concerned also about the increasing trend toward regulation of business by governments, both here and abroad—regulation that is often well-intentioned but frequently ill-conceived, to the ultimate detriment of those it is designed to help.

In the area of environmental protection, Union Carbide has been diligent in reducing its own pollution, and we subscribe wholeheartedly to the principle that air and water pollution must be abated. But we urge that enthusiasm to eliminate pollution be tempered with common sense. It is vital that anti-pollution regulations take cost-benefit relationships into account.

Dividend Policy

The Board of Directors increased the dividend on the common stock from a $2.20 to a $2.40 annual rate effective with the March 1975 payment, and then again to a $2.50 annual rate effective with the March 1976 payment. We reiterate our dividend policy, set forth in this space a year ago, that we would like to see our dividends increase steadily over the years, rather than rise abruptly in exceptionally good years to levels that might later prove difficult to sustain.

Board of Directors

Our Board has had a busy year. Outside directors have devoted increasing amounts of time and effort to the affairs of the Corporation, particularly through their work on the Audit, Compensation, and Public Policy Committees. We extend our thanks to Anne Armstrong, who served on the Board from January 1975 until she resigned in February 1976 to become Ambassador to the United Kingdom; and to Robert E. McNeill, Jr., who has served on the Board since 1965 and, upon reaching the mandatory retirement age, will not stand for reelection in 1976.

Employees

Finally, we would like to express our appreciation to our employees for their contributions to Union Carbide's success. We have a fine, capable group of people, and we would like them to know that their efforts are recognized.

Annual Meeting

All of our stockholders are invited to attend the Annual Meeting, which will be held at 10:30 a.m. on April 28 at our New York Headquarters. We hope as many of you as possible will be present.

Respectfully submitted,

F. P. Wilson
Chairman of the Board

W. S. Sneath
President

February 23, 1976

Key members of the senior management team are Frank R. Lyon, Jr., Director, Senior Vice-President, and General Counsel; John F. Shanklin, Vice-President and Secretary; and J. Goffe Benson, Vice-President, who serves as a member and Secretary of the Management Committee.

The New Fundamentals of Union Carbide

COMPETITIVE POSITION

GROWTH RATE OF MARKETS

PAST AND PRESENT FINANCIAL PERFORMANCE

CONSISTENCY WITH CORPORATE OBJECTIVES

These are some of the major criteria considered by Union Carbide in evaluating its businesses.

One night in 1876, Cleveland residents crowded into the city's Public Square to witness the lighting of the first carbon arc street lamp, Charles F. Brush's new invention that turned night into day. This civic event led to the formation, ten years later, of a company to manufacture carbons for street lamps, a company that was the forerunner of the Carbon Products Division of Union Carbide, which today produces a multitude of products based on carbon.

Soon the now-famous *Eveready* trademark appeared, when this young company produced the world's first commercial dry cell battery. A few years later, the company opened one of America's first industrial research laboratories. And in 1898—the year the U.S. naval vessel *Maine* was scuttled in Havana harbor, precipitating the Spanish-American War—the name Union Carbide appeared for the first time, when a company was formed in Chicago for the manufacture of calcium carbide.

The Union Carbide Company merged in 1917 with four other manufacturing concerns to form Union Carbide and Carbon Corporation, later shortened to Union Carbide Corporation. In the decades since—its record built on pioneering research and leadership in technology—the Corporation has become one of the 25 largest industrial companies in the United States, with plants in 35 other countries. It has paid dividends—a total of $3.5 billion—every quarter since 1917.

In recent years, the pace of change has quickened. Accordingly, Union Carbide adopted in 1971 a long-term program to improve management throughout the Corporation; to reorder the company's priorities in an effort to capitalize on what were seen as excellent opportunities for further growth.

This reordering of priorities has created a number of "new fundamentals" on which the Union Carbide of the 1970's is based—business fundamentals that differ markedly from those of the past. Some are outlined below.

New Management System

A formal goals-oriented management system has been instituted throughout Union Carbide. Consistent with this system, the components of the Corporation have developed interlocking objectives that are in line with corporate goals. The Management Committee is deeply involved in setting overall directions, as well as in the evolution of business strategies and the allocation of capital. Several specific examples of progress toward long-term corporate objectives can be cited:

- An integrated system of long-range planning for all businesses and functional departments has been developed and applied. Plans are updated at least annually.
- Capital resources are allocated preferentially to businesses in which Union Carbide already has market or technical leadership and a superior return on assets, or has developed strategies to achieve these goals.
- A formal program has been established for evaluating the performance of management at all levels against agreed-upon standards.
- New business development endeavors have been formalized and emphasized, and are moving the Corporation into lines of business that offer superior profit opportunities.
- The Corporation has withdrawn from a number of product lines that show little promise of meeting long-term corporate objectives.

Implementation of this new management system is allowing Union Carbide to be increasingly flexible, alert, and quick in its response to business opportunities and needs.

A pipeline network of Union Carbide and affiliates for moving ethylene and hydrocarbon feedstocks between supply, storage, and consuming points on the Gulf Coast is the most extensive in the industry. This pumping station is one of many along the underground pipeline network, which will total 1,640 miles by the end of 1976.

Strategic Planning Units

To improve overall business management, Union Carbide's businesses have been organized into Strategic Planning Units (SPU's). The more than 150 SPU's are categorized according to present performance and future potential. This is done only after thorough analyses of the individual businesses.

Business strategies that reflect the category assigned to the business have been developed for each SPU and integrated into long-range business plans. Strategic planning is ongoing and is aimed not only at anticipating change, but also at initiating it. At present, about 60 percent of Union Carbide's total sales is concentrated in businesses in growth categories. For the period 1975 to 1979, about 80 percent of forecasted construction expenditures has been allocated to these businesses.

Expenditures for research and development climbed 28 percent last year, as Union Carbide scientists and engineers continued their quest for needed new products. One research area is the biological engineering of new plant species, a project on which researcher Deborah Black concentrates and that could have major impact on farming and forestry.

Changing Business Mix

Traditionally, Union Carbide's operations have concentrated on basic intermediates needed by many vital industries of the world. These include the steel, auto, construction, appliance, textile, pharmaceutical, and food industries. In support of these industries, Union Carbide has become the world's leading producer of:

Ethylene oxide and derivatives—used for fibers, anti-freeze, detergents.

Low-density polyethylene—the world's most popular plastic.

Ethanol—used for solvents, pharmaceuticals, cosmetics.

Urethane intermediates—used for foam cushioning for autos, furniture, carpets.

Oxygen—used in steelmaking.

Graphite electrodes—used in steelmaking.

Ferroalloys, tungsten, and vanadium—used in steelmaking.

Dry cell batteries.

Casings for processed foods.

Plastic wrap and bags for home use.

Anti-freeze for automotive use.

The Corporation is now following three basic strategies. The first: to strengthen its position in those already-superior businesses that involve products expected to be in strong demand in the future and perhaps in short supply over the next five to ten years. The second strategy: to withdraw from businesses having little potential of meeting long-term corporate objectives. In recent years, the Corporation has withdrawn from the synthetic gem, modacrylic fiber, mattress, tin, vinyl film, propylene oxide, phthalate plasticizer, and numerous other businesses. The third strategy: to shift the business mix over the long term to include a greater proportion of "performance products"—products with special characteristics offering superior performance and value to the user as well as good profit potential for Union Carbide. Examples include the proprietary *Sevin* carbaryl and *Temik* aldicarb pesticides, *Linde* molecular sieves, *Ucar* latexes, *Thornel* carbon fibers, and medical diagnostic systems.

Major Expansion in Selected Areas

With its objectives and strategies clearly defined and with priorities set, Union Carbide is engaged in a major expansion program. Despite the recent recession, annual capital expenditures have nearly tripled since 1973.

This expansion program will provide the additional capacity needed to satisfy the strong demand for Union Carbide's products anticipated for the future. In addition—and equally important—it will allow the introduction of improved technology that will keep the Corporation competitive around the world. Achievement of these dual goals bodes well for profitable growth in the future.

Firmer Prices

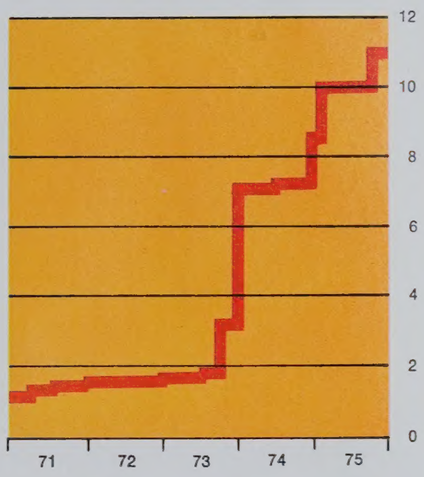
During the 1960's, a combination of several factors drove Union Carbide's prices to unreasonably low levels, even while the nation's industrial price index rose substantially. A major factor behind the long decline was the proliferation of chemicals and plastics producers whose combined capacity far exceeded market requirements. Further complicating the situation, federal price controls put into effect in 1971 prevented adequate price increases, even after market conditions had changed sufficiently to support them.

When price controls ended in 1974, the country was already in the throes of rapid inflation—inflation that was exaggerated by the oil embargo and the subsequent drastic increases in petroleum costs. The cost of new construction skyrocketed. In order to return profits to an acceptable level and justify needed new expansion in this inflationary environment, major price increases were essential.

Prices are expected to remain strong because:

- Capacity will be inadequate for many products.
- Capital for expansion is expensive, which should discourage over-building.
- Construction costs are so high that current or higher price levels will be necessary to justify even limited expansion.
- Imports of many products into the United States must be priced higher today than domestic production because inflation has been greater abroad.

CRUDE OIL COST TRENDS
(Dollars per Barrel)



Although Union Carbide does not use crude oil as such, the costs of its petrochemical raw materials and energy are closely related to the cost of crude oil. The chart above shows the cost, including taxes paid to the producing country, of Arabian light crude oil.

Strong Raw Materials Position

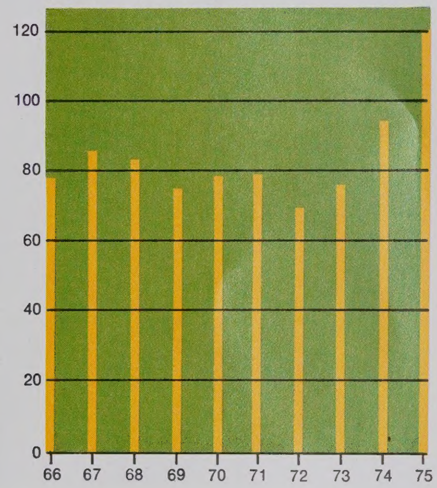
Union Carbide is in a strong position with regard to raw material supplies. Contracts have been negotiated with suppliers to guarantee availability of a large part of needed raw materials on a two- to three-year basis. These contracts are continually being renegotiated and extended further into the future.

But the Corporation has also moved on other fronts to ensure continuing supplies of vital materials.

- Inventories of certain raw materials and intermediates have been built to overcome shortages foreseen for 1976 and 1977. In the United States, over 400 million pounds of ethylene has been pumped into natural salt domes or stored elsewhere for later use. Ethylene glycol, an intermediate needed to produce *Prestone* anti-freeze and polyester fibers, is also stored in large quantities. Certain ores from foreign sources have been accumulated.
- Joint ventures and special project financing arrangements are being developed as a means of securing needed raw materials. For example, Union Carbide Canada Limited is now participating as a minority partner in the construction of a petrochemicals facility that will supply ethylene to a new Union Carbide Canada polyethylene plant.
- The Corporation is expanding its research and development work on a process for converting coal to gases and liquids suitable for fuel and for chemical feedstocks.
- Processes for producing chemicals from synthesis gas that can be derived from non-petroleum sources are being developed.
- A process for converting crude oil directly to ethylene—bypassing the oil refining step—is being developed.

In addition to safeguarding its raw material supplies, Union Carbide continues to benefit from its Energy Conservation Program. Over the past two years, this worldwide program has saved over $70 million or the energy equivalent of 7.5 million barrels of oil.

RESEARCH AND DEVELOPMENT EXPENSES
(Millions of Dollars)



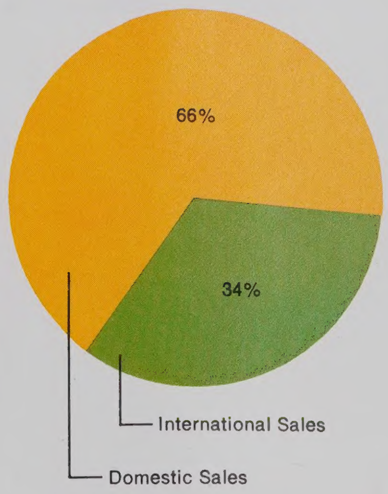
Feedstock Flexibility

Reinforcing the Corporation's hydrocarbon raw materials position is the most extensive ethylene and hydrocarbon feedstock gathering network in the industry. Currently being extended and modified, this network of Union Carbide and affiliates will include by the end of 1976 a 620-mile system of pipelines linking the major Gulf Coast plants and ethylene storage areas. Ethylene can be moved via this network as needed to meet changes in availability and demand. The network will also include a 1,020-mile system tying the Gulf Coast plants in with suppliers of butane, ethane, and propane used to produce ethylene.

Sharply Focused Research

Annual research and development expenditures were 73 percent higher in 1975 than in 1972, and are expected to increase by an additional 25 percent in 1976. More importantly, research is being focused on those current businesses that are "winners," and on promising new business opportunities. This added emphasis on research and development recognizes that technology was the crucial element in Union Carbide's origin and has been its lifeblood since. The reemphasis also recognizes that research and development, to be effective, must be properly directed, sharply focused, and sustained.

CONSOLIDATED SALES



Increasing Diversification

The business and geographic diversification of Union Carbide serves to a considerable extent to dampen the effect of ups and downs in individual component performance, and to sustain overall growth. During 1975, sales of chemicals and plastics in the United States were depressed by the recession until recovery began at midyear. Metals and carbon product sales held up well until early summer, while sales of consumer products and of gases and related products were generally strong all year, although there were variations among product lines. Business in Latin America, Canada, and Africa was relatively strong throughout 1975, while sales in Europe and the Far East were generally weak but were improving modestly by year-end. Continuing efforts to diversify within established business areas, as well as into new areas not necessarily related to current markets, should support even greater consistency in growth in the future.

Strong support is being given to businesses that provide high-performance products based on unique know-how. An example is the *Thornel* carbon fiber used for the frame of this player's tennis racket. A new low-cost production process is expected to open up a 50-million-pound-per-year market in the auto and truck industry alone by the mid-1980's.

Where Union Carbide Stands

Union Carbide has a reputation as a good citizen. Recently this good citizen, like many concerned Americans, has begun to speak out on the social and political issues of the day, particularly when these issues intertwine with business concerns in general and Union Carbide problems in particular.

As part of a general policy of more openness, senior executives of Union Carbide Corporation are encouraged to appear before congressional committees and at other public and private forums to explain Union Carbide's point of view.

Here Perry Wilson, Chairman of the Board of Union Carbide, answers questions on some of the more vital issues.

Q. *Mr. Wilson, you have said that an extremely important issue for Union Carbide is the continuing supply of the raw materials needed to produce petrochemicals. Why are you so concerned?*

A. The problem is one of the best use of limited supplies of oil and natural gas. At present, 61 percent of these valuable, yet finite, resources is burned as fuel by "stationary energy consumers"—electric power generators, steam boilers in manufacturing plants and apartment houses, gas and oil-burning furnaces in homes. Another 31 percent is used in transportation. Only 8 percent is used as raw material for petrochemical production.

The big question is: Will the government encourage a movement of the stationary energy consumers away from the use of oil and gas—back into coal or forward into new energy sources? While there are substitutes for oil and natural gas for these stationary consumers, and alternatives to private cars for some personal transportation, there presently is no substitute for these materials as sources of petrochemicals. Petrochemicals, in turn, are the building blocks for thousands of useful products, including fibers for clothing, chemicals for agriculture, medicines for health care, and construction materials for housing. In fact, the jobs and well-being of millions of people are dependent on a healthy petrochemicals industry.

Q. *What is Union Carbide's view on additional environmental protection?*

A. Everybody wants clean air and water, and we are definitely no exception. There was a time, in the 1960's, when we were accused of inadequate pollution control. But we have made a tremendous—and effective—effort to reduce pollution, and have budgeted tens of millions of dollars for future projects in this area.

Still, there are limits to what can be done, in what time span, and at what cost.

The 1972 amendments to the Clean Water Act, for example, set a goal for 1985 of zero discharge of pollutants. Quite simply, this is "an impossible dream." Furthermore, even in instances where the goal can be achieved, the cost of eliminating that last 5 percent of pollutant may equal the cost of eliminating the first 95 percent. In fact, the cost of building and operating the systems required for the elimination process is so high that it is a significant factor in the continuing inflationary pressure in this country and in the cash flow problems industry faces. In our chemicals and plastics operations in the United States, we now have more people involved in environmental work than in selling our products.

We must put a price tag on some of these environmental programs, and decide as a nation whether we want to make the trade-off—a small final improvement in air and water purity at the expense of higher prices at the consumer level.

Q. *How do you feel about the increasing involvement of government in the regulation of business?*

A. I believe that some degree of regulation is wise in a society as complex as ours. There is no question, for example, that we have all benefited, without as yet paying an unreasonable price, from some of the environmental, safety, and health regulations.

On the other hand, government must not be all-pervasive. I am a staunch believer in our free enterprise system, which, combined with the energy of our people, has given us a degree of affluence and dynamism that is unparalleled anywhere else in the world.

I am deeply concerned about many of the moves and threatened moves aimed at restricting business. These include the burgeoning demands of governmental regulatory agencies for all sorts of business data, excessive regulation of the production and use of certain chemical substances, and proposals for business chartering and planning on a national level. I question whether a society as productive and diverse as ours can be rigidly controlled by government without losing its vitality. Experiments in other parts of the world would say no. Perhaps we have failed to appreciate—and are beginning to starve—the goose that laid the golden egg.

Q. *Why is Union Carbide against some of the tax reform proposals now before the Congress?*

A. A number of these tax reform proposals would virtually put American companies out of business in many foreign countries, with disastrous effects on our nation's balance of payments and on domestic employment—not to mention the effect on the economies of those foreign countries.

One of the most destructive of these proposals involves eliminating credits allowed American companies for taxes paid abroad by their foreign affiliates. A second involves imposing taxes on income earned by those affiliates before its distribution to U.S. parent corporations. In Union Carbide's case, these changes would push up the effective tax rate on earnings of our foreign subsidiaries and affiliates to about 70 percent—far above the U.S. corporate tax rate of 48 percent. This would place our foreign operations in a non-competitive position compared with non-U.S. companies whose tax burden would be much less.

Q. *What kind of tax reform do you favor?*

A. Rather than taxes that reduce profitability to levels unacceptable to potential investors, what is desperately needed is tax reform that will help this country raise the $4 trillion in investment capital needed between now and 1985 to expand and modernize its production capacity, create new jobs, and maintain its traditional industrial leadership. Although many favorable reforms could be envisioned, the following would be reasonable and beneficial:

- A permanent investment tax credit of at least 10 percent.
- Quicker recovery of capital costs via a provision for accelerated depreciation, with an immediate write-off of expenditures for protection of the environment.
- Modification of double taxation on corporate profits by allowing a corporate tax deduction for dividends paid to stockholders.
- Progressive reduction of the capital gains tax rate, depending on the holding period of the investment.

Q. *But why does American industry need to raise enormous amounts of new capital?*

A. We need some of this money to replace old facilities. After all, processes and facilities become obsolete, machines wear out. Some of our country's technology and plants are not competitive with those of countries abroad that are rapidly expanding their industrial base. We must stay competitive.

Furthermore, we need capital to expand in order to meet society's expectations of an improved standard of living for a greater number of its citizens, and to provide employment for a growing work force. Solving energy and environmental problems alone requires major investment.

Now there's a lot of misunderstanding about profits. A recent poll indicated that many Americans believe business profits amount to 20 to 30 percent of sales. To the contrary, Union Carbide's profits in 1975 amounted to 6.7 percent of sales and over the past five years have averaged only 7.1 percent. Furthermore, even these profits are overstated because of inflation, since the charge for depreciation is based on the original, rather than the replacement, cost of facilities. There should be no mystery as to where profits go. We use them to pay dividends, repay debts, and help finance modernization and expansion. Stockholders expect and deserve increased dividends to help them cope with inflation's effect on their cost of living. And reinvested dollars buy considerably less new capacity today than they did a few years ago.

What people often forget are the taxes we pay before we get down to the profit line. Last year our taxes amounted to $490.1 million. This compares with profits of $381.7 million. In the United States, our taxes went to federal, state, and local governments and to school districts.

Q. *What is Union Carbide doing about hiring more women and minority group members?*

A. I think we are doing a good job in a tough situation. Union Carbide's operations are concentrated in heavy industry—principally in the conversion of basic raw materials into intermediate products used by others to make consumer goods. The technical professions that are most important to us have only recently begun to attract significant numbers of women and minority group members. Thus we have had problems in finding such

Dr. Albert C. Stewart, International Business Manager for functional and specialty chemicals, negotiates a sale of chemicals to a customer overseas. Despite the worldwide recession, total export sales were up about 7 percent in 1975.

people who are both interested in, and qualified for, many of the jobs we have.

Still, I think our record is one of real progress. We are hiring women and minority group members in increasing numbers. At the end of 1975, we had about 71,000 employees in the United States, including those at facilities operated for the U.S. Government, but excluding those in Puerto Rico. Of these, about 13,600 were women and 7,200 were members of minority groups.

Today, women and minority group members are being hired for jobs of all types—from laborer to engineer. They are moving into positions with greater managerial or supervisory responsibilities. Furthermore, an important part of our affirmative action program is to provide encouragement—including financial aid—to individuals, including women and minority group members, interested in careers in science or engineering.

Q. *What have you to say about the charges that have been brought against a number of multinationals—of bribery, illegal political contributions, and so on?*

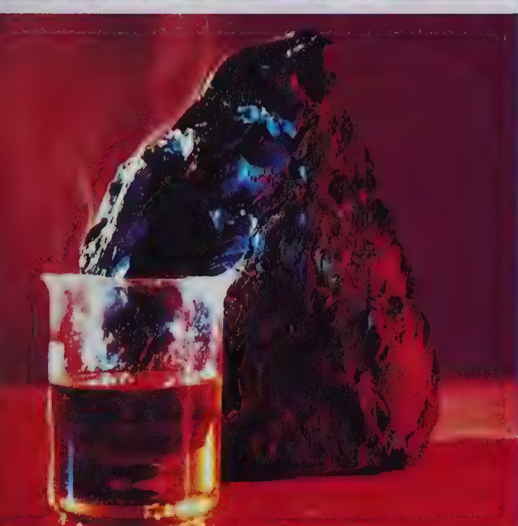
A. We deplore such behavior. The issues are not complicated. Essentially, business ethics come down to a series of "do's" and "don'ts" that can be comprehended by anyone capable of reasoning. It is wrong to suborn government officials through bribes and other illegal activities. It is doubly wrong when corporate funds are involved. And management must be swift and severe in its discipline when an employee engages in such illegal activity.

Union Carbide has just published a booklet, "The International Responsibilities of a Multinational Corporation," for distribution to its employees, to government representatives, and to others. In it, we unequivocally outline the business and ethical standards that we believe in and want our employees to follow, and on which we wish to be judged. This is part of a program to further strengthen by word and action our reputation as a good corporate citizen wherever we operate.

Q. *Most of our questions thus far have dealt with factors external to Union Carbide that affect its operations and future. Now let's turn inward. What is Union Carbide doing in a business sense that might have major impact on the future needs of society?*

A. Our near-term plans and activities are discussed elsewhere in this report. But looking further out, there are several areas we are enthusiastic about. We are working in several specific "arenas" of basic human needs—health, nutrition, the environment, energy conversion. And we are deliberately searching out new business opportunities within these arenas that promise to meet our financial objectives as well as important needs of society. Interestingly, products and processes with the greatest potential are often related to these socially beneficial arenas. Examples of our activities in this regard are discussed on the following page.

New Business Development



In planning for the future, Union Carbide is directing the major part of its new business development effort toward filling important but unmet needs in the health, food, environmental, and energy fields. Many of the projects currently undergoing development are not expected to make substantial contributions to profits until the 1980's and 1990's. Some, however, are already commercial.

In health, effort is concentrated on medical diagnostic systems. More than 700 Union Carbide *CentrifiChem* high-speed blood analyzers are in operation to detect symptoms of cardiac, liver, kidney, and blood disorders. Newly marketed are two more sophisticated automated testing devices: one, the *Centria* system, automates radioimmunoassay, a technique for measuring minute quantities of substances in blood that are related to hypertension, thyroid disorders, cancer, and the like; and the second, the *CintiChem* system, automates preparation of radiodiagnostic agents used to detect abnormalities in body organs.

(Picture at top left) As the need for efficient crop production grows, so does the demand for Union Carbide's *Sevin* carbaryl insecticide and *Temik* aldicarb pesticide.

The new *Centria* system for high-speed analysis of blood samples helps in the early diagnosis of such conditions as hypertension, thyroid disorders, and drug toxicity.

One of the critical needs of the future is to find a substitute for oil as a source of fuel and chemical feedstocks. As a step in this direction, the U.S. Government awarded a contract in 1975 to Coalcon, a Union Carbide joint-venture company, to design a demonstration plant for coal conversion processes.

Developing environmental systems businesses include not only the highly successful *Unox* wastewater treatment system, but also the new *Purox* refuse disposal and resource recovery system now ready for commercial marketing. Pictured (lower left) is the clear effluent flowing from a *Unox* system.

In pollution control, the Corporation's *Unox* wastewater treatment system is the leader in its field, and the *Purox* system for recovering resources from municipal trash and garbage is nearing commercialization. Two other types of systems in commercial use are: *Ucarsep* for recovering valuable liquids from industrial wastes and other streams; and *Purasiv* for removing contaminants from gaseous effluents of industrial processes.

In the energy field, Union Carbide has worked for many years on techniques for more efficient utilization of coal. The Federal Government awarded a contract in 1975 to Coalcon, a Union Carbide joint-venture company, to design a demonstration plant for converting coal to gases and liquids suitable for fuel and chemical feedstocks. Construction and operation of the plant will cost over $200 million, and are expected to be funded jointly by government and industry.

Having potential application in energy conservation as well as in many other important areas are Union Carbide's *Thornel* carbon fibers. Now used in products such as tennis rackets and golf clubs, composites of these extremely strong and lightweight fibers are expected to find many diverse uses. In transportation, for example, their use in constructing drive shafts and springs would mean substantial fuel savings.

In the vital arena of food supply, Union Carbide is engaged in the biological engineering of new plant species, as well as in the mass cultivation of seedlings in plastic hothouses. And in Puget Sound, pan-sized salmon and other fish are being raised under controlled conditions, while a shrimp fishing venture off the coast of India is contributing to that country's trade balance and to the world's food supply.

The Basic Businesses of Union Carbide

Product Class	Principal Raw Materials	Typical Union Carbide Products	
CHEMICALS 1975 Sales: $1.7 Billion **PLASTICS** 1975 Sales: $0.7 Billion	Naphtha Liquefied Petroleum Gas	**Intermediates** Ethylene Propylene Benzene	**Chemicals** Ethylene Oxide and Glycol Oxo Alcohols Ethanol Styrene Isopropanol **Plastics** Polyethylene Polystyrene Phenolics
GASES AND RELATED PRODUCTS 1975 Sales: $0.9 Billion	Air Calcium Carbide Ferrous and Nonferrous Materials and Components Minerals	**Gases** Oxygen Nitrogen Argon Acetylene Specialty Gases	**Systems, Equipment, and Materials** Welding Equipment and Materials Molecular Sieves *Unox* and *Purox* Proprietary Waste-Treatment Systems Steel Processing Equipment Cryogenic Equipment and Processes
METALS AND CARBONS 1975 Sales: $1.1 Billion	Petroleum Coke Metallic Ores Minerals Coal	**Metals** Ferrosilicon Ferromanganese Ferrochrome Vanadium Tungsten Uranium	**Carbon Products** Carbon and Graphite Electrodes Electrical Brushes Industrial Refractories Carbon Fibers
CONSUMER AND RELATED PRODUCTS 1975 Sales: $1.3 Billion	Polyethylene Ethylene Glycol Zinc Minerals Cellulose	**Automotive Products** *Prestone II* Winter-Summer Concentrate **Home Products** *Glad* Wrap and Bags	**Battery Products** *Eveready* Batteries and Flashlights **Food Products** Food Casings **Electronic Materials**

Union Carbide chemicals give desirable characteristics to a wide range of beauty aids — from lipsticks to shampoos.

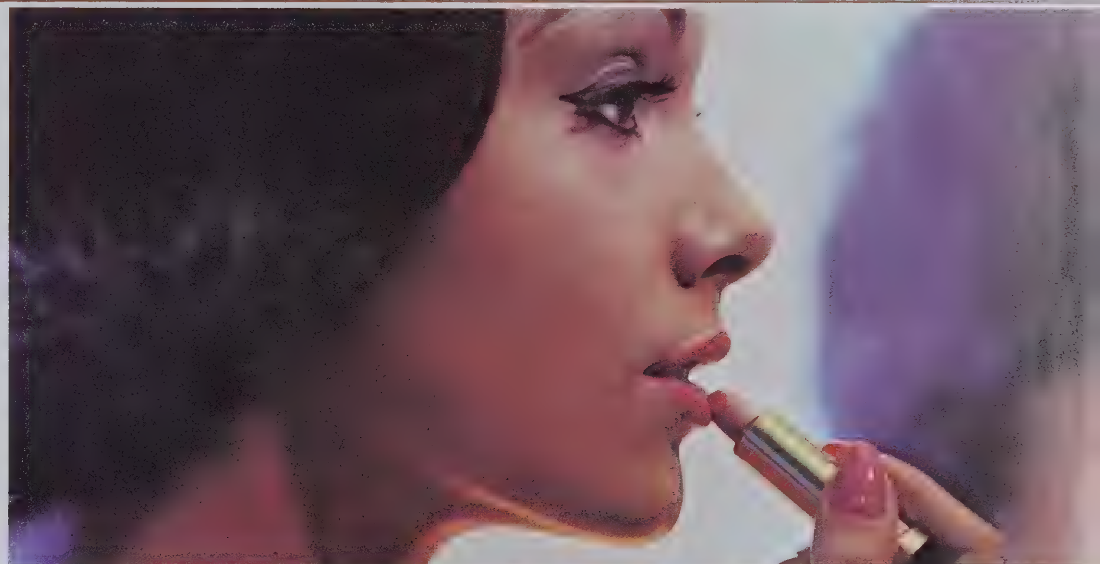
Practically every part of the family car can be traced back to a product made by Union Carbide — from the steel and shiny trim of the body to the foam cushioning on the seats. Gases, metals, and carbons all are used to make, cut, and weld its body and vital parts.

No sandwich should be without one — a *Glad* bag, that is. And *Glad* bags can be used to store everything from jewelry to nuts and bolts.

Typical Customer End Products and Uses

Polyester Fabrics
Coatings and Solvents
Plastics
Detergents
Toiletries
Agricultural Chemicals

Wire and Cable Insulation
Packaging Materials
Adhesives
Construction and Architectural Materials



Steelmaking
Metal Fabrication
Waste Treatment
Food Processing
Chemical Processing
Life Support

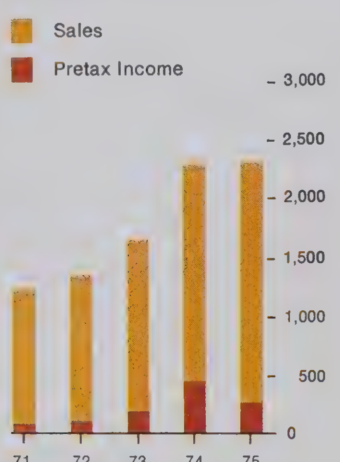
Steelmaking
Aluminum Production
Foundry Products
High-Performance Metal Products
Nuclear Power Generation

Automotive Care
Battery-Powered Appliances
Food Processing
Food Storage
Trash Disposal
Computers
Telecommunications

Chemicals and Plastics

By early 1978, Union Carbide and affiliates will have capacity to produce five billion pounds of ethylene annually in the United States and Puerto Rico, including an additional 680 million pounds from a major expansion to be completed at the Taft, Louisiana, complex (above).

CHEMICALS AND PLASTICS
(Millions of Dollars)



This group produces and markets over 800 chemicals and most of the major types of plastics. Nearly all of these products are based on petroleum or natural gas derivatives. About two-thirds of the group's sales are in the United States and Puerto Rico. Important markets include the automobile, textile, housing, petroleum, packaging, and coatings industries.

The physical volume of sales worldwide was down markedly in 1975. Sales revenues were unchanged, however, primarily because of the carryover of price increases put into effect throughout 1974. Modest further price increases were realized in U.S. markets in 1975. Price weakness developed in Europe and the Far East at midyear, but strengthening was evident by year-end.

The higher average price level in 1975 was not adequate to cover unit cost increases resulting from the unfavorable effect of low operating rates and continuing inflation in the costs of raw materials, labor, and distribution. Thus earnings for this business line declined much more than sales volume.

Inventories required astute management throughout the year. The rapid decline in market demand that began late in 1974 required that U.S. production in 1975 be cut back to a level temporarily as low as 60 percent of overall capacity.

Hydrocarbon raw material supplies were adequate during the year, although purchase prices—especially domestic prices—trended decidedly upward. Needs for 1976 are almost entirely covered by existing contracts. No difficulties in meeting longer-term requirements are foreseen.

The major expansion program begun several years ago continued. Its impact on total domestic production capacity in 1975 was largely offset by shutdowns of various obsolete facilities, although appreciable net increases in capacity will be realized in 1976 and 1977. Coming on stream in 1975 was new capacity for ethylene oxide and derivatives, vinyl acetate, high-density polyethylene, propionaldehyde, propanol, polystyrene, and ethyleneamines.

The ongoing program to shut down obsolete facilities and withdraw from businesses no longer considered appropriate for Union Carbide led to permanent shutdown in 1975 of the Whiting, Indiana, plant (where low-density polyethylene and isopropanol were the principal products), and to withdrawal from the production and sale of morpholine and propylenediamine.

Major commodity-type chemicals and plastics that are expected to show vigorous growth in the future, and in which Union Carbide has a leading competitive position, include ethylene oxide and derivatives, some grades of polyethylene, and various solvents. Strong technological, marketing, and distribution support for these products will be maintained. At the same time, progress is being made on a long-term program to strengthen this group's position in the more sophisticated product lines, such as agricultural chemicals, specialty plastics, and high-performance coating materials. In February 1976, a separate Agricultural Products Division was established.

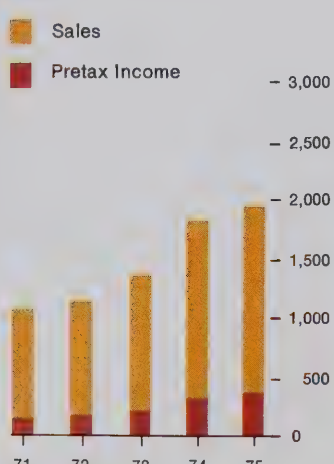
Union Carbide's chemicals and plastics business is expected to improve substantially in most areas of the world in 1976. Worldwide sales are expected to rise by more than 20 percent, with most of this improvement coming from an increase in physical volume rather than in selling prices. Earnings should increase at a greater rate than sales.

A Portsmouth shipping merchant built this Georgian-style mansion (right) at South Berwick, Maine, in the late 1700's. Like many historic homes, the exterior of the Hamilton House has been protected with new weather-resistant paints, a major growth market for Union Carbide coating chemicals. The house will be on view for Bicentennial visitors from June through September.

Gases and Related Products, Metals, and Carbons

Barely visible in this boiling inferno is the top of a submerged carbon electrode, a Union Carbide product that makes possible the extremely high temperatures (about 6,000 degrees Fahrenheit) needed to smelt alloying metals.

GASES AND RELATED PRODUCTS, METALS, AND CARBONS
(Millions of Dollars)



This group of businesses is strongly oriented toward the steel and metalworking industries, although other markets developed through diversification efforts of the past decade are increasingly important.

Pretax earnings for the group were up 9 percent over the 1974 level, even though the physical volume of sales declined because of a sharp downturn in world steel markets. Sales income increased 9 percent over the prior year, despite the volume decline, because of the carryover of major price increases posted throughout 1974 and further modest price increases realized in 1975. With raw material and energy costs for this energy-intensive business line rising markedly throughout the year, earnings for the group as a whole eroded as the year progressed.

Gases and related products, one of the more recession-resistant of Union Carbide's businesses, achieved good growth in both sales and earnings in 1975, despite a significant decline in the physical volume of sales of welding products, industrial gases from on-site facilities, and—to a lesser extent—merchant gases. Sales of the highly diverse mixture of other products, systems, and services that constitute about one-third of the gases and related products business were up substantially.

The *Unox* wastewater treatment system continues to win acceptance around the world as an efficient means of purifying industrial and municipal wastewater. At year-end, over 100 units were in operation or under firm contract, and about 100 more projects were committed to use the system. The new *Purox* process for converting solid trash and garbage into a gas suitable for fuel has been developed to the point of commercial practicability, and is evoking widespread interest in the United States and overseas.

Union Carbide, the world's leading producer of ferroalloys and certain specialty metals, has a well-integrated position in ore deposits and energy sources. Strong performance in uranium in 1975 only partially offset a decline in sales of ferroalloys and specialty metals resulting from a downturn in steel and aluminum markets. Thus sales and earnings of the metals business declined overall. The environmental improvement program for the metals operations is largely complete, and production facilities are among the most efficient in the world, which should allow quick response to the improved product demand anticipated for 1976.

Union Carbide's carbon products include graphite electrodes for the steel industry, carbon and graphite refractories, and a variety of products for electrical and other applications. Sales in most parts of the world were adversely affected by the downturn in steel production. Nevertheless, dollar sales worldwide substantially exceeded the 1974 level, while earnings showed little change.

The historical pattern of vigorous worldwide growth for the electric furnace steelmaking process is expected to be reestablished as steel output turns up in 1976, presaging strong growth in demand for graphite electrodes. Expansions of electrode production capacity were continued in the United States, Puerto Rico, Europe, and Latin America in 1975.

Development work progressed on a new low-cost process for producing *Thornel* carbon fiber that is expected to enhance greatly the marketability of this versatile new product.

The gases and related products, metals, and carbons business line is expected to perform well in 1976. A slow but steady recovery of market demand is anticipated. Union Carbide is positioned to pace the recovery as a result of the facility expansion and improvement program that continued throughout the recent downturn.

This massive network of pipe, nearly 500 feet in length as photographed at dockside in Scotland, is part of a drilling platform destined for North Sea oil production. *Linde* welding machines were used in fabricating the structure.

Consumer and Related Products

Sales gains in 1975 of over 40 percent for *Prestone* anti-freeze — the leading brand in North America — far outpaced growth of industry sales.

CONSUMER AND RELATED PRODUCTS
(Millions of Dollars)

Although Union Carbide is not as frequently identified with consumer products as with its other lines of business, its *Prestone, Eveready,* and *Glad* trademarks are among the best known in the world. This business line also includes cellulosic casings and packaging materials for the food industry, as well as capacitors and specialty materials for the electronics industry.

Worldwide sales of consumer and related products were 16 percent higher than in 1974. Pretax earnings increased by 11 percent, despite heavy promotional expenses associated with a move to penetrate European markets with the *Glad* and battery product lines.

Union Carbide's battery business is truly worldwide in scope. Products are made in 51 plants located in 25 countries, and are sold in nearly 150 countries. The business continues to experience vigorous growth as new products, new applications, and new markets are developed. Sales in 1975 continued a 20-year pattern of uninterrupted growth, with sales of miniature batteries for portable calculators and electronic watches expanding rapidly. Two significant voids in the worldwide network for this business were addressed during the year by the launching of a Sony-Eveready joint venture in Japan and a wholly owned subsidiary in Germany.

The volume of *Prestone* anti-freeze sold in the United States increased by more than 40 percent in 1975 as the shortage of ethylene glycol —the principal raw material—eased. This growth far exceeded the industry growth of 10 to 15 percent. Prices remained stable throughout the year until November, when they were increased to compensate for a 24 percent increase during the year in the cost of ethylene glycol. Prices were reduced modestly early in 1976 as part of a promotion effort to encourage year-round use.

Sales of the *Glad* line of plastic bags and wrap held up well throughout the recession. This product line is the market leader in the United States, Canada, and Australia. An aggressive program is under way to establish the line in Europe, with emphasis at this time on the German market.

Union Carbide's newest consumer product, the *Drydees* disposable diaper, is being test marketed. The product offers superior performance, and the market penetration goal has been exceeded in test market areas.

Sales of casings and specialty films for the food industry again increased over the previous year. The major uses of these products are in manufacturing sausages and in packaging processed and fresh meats. Already the world's leading marketer of cellulosic food casings, Union Carbide is preparing for future growth by building two additional production units in the United States and designing a third for Europe.

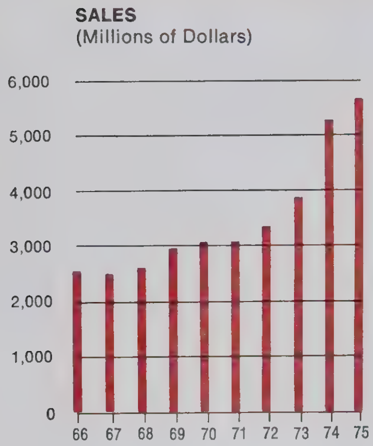
A fast-growing consumer-related business involves the production of electronic materials. These include *Kemet* brand ceramic and solid tantalum capacitors for the solid-state electronics field; and crystals of sapphire, ruby, and other oxides for semiconductor and laser applications.

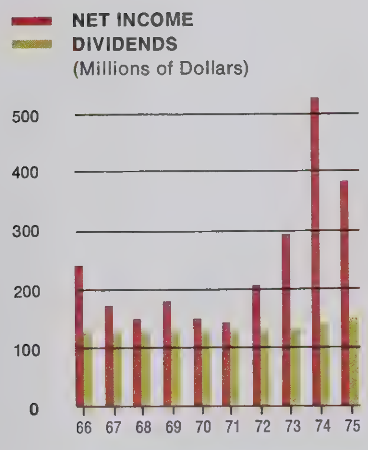
Sales and earnings of consumer and related products are expected to benefit in 1976 from generally improving economies in the United States and other world areas, and from progress toward penetration of European markets.

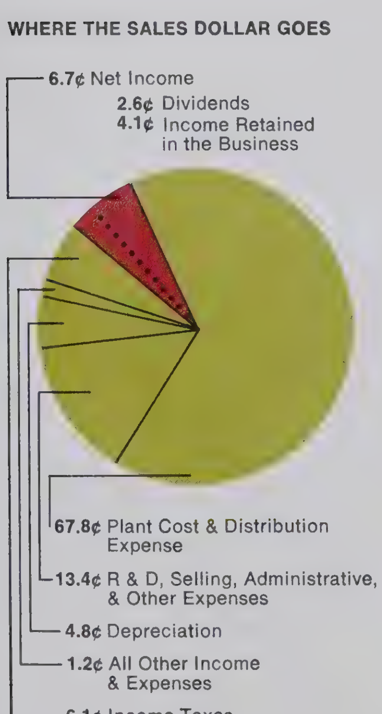
Waiting for her theater companion, this young lady is checking the time on a new digital watch powered by two *Eveready* batteries. Worldwide sales of watches of this type (light-emitting diode) are expected to reach 85 million units in 1980.

Financial Review

(See also Ten-Year Summary and Financial Statements and Notes on Pages 27 through 35)







DISCUSSION AND ANALYSIS OF OPERATIONS

In 1975, sales increased 6 percent to $5,665.0 million, while net income declined 27 percent to $381.7 million. These results reflect the economic downturn that prevailed in the United States and especially abroad. The year was characterized by lower physical volume of sales, higher average selling prices, and continued upward pressure on costs.

Operating results by product line and geographic area are shown in the tables on the opposite page.

Physical Volume—Physical volume of sales from domestic operations declined approximately 18 percent from 1974.

Markets—Domestic dollar sales by market are given in the following table. Sales are classified according to the customer's immediate use on the basis of the Standard Industrial Classification.

	Percent	
	1975	1974
Chemicals and Allied Products	22	20
Primary Metal Industries	20	22
Rubber & Misc. Plastic Products	12	14
Machinery	4	4
Food and Kindred Products	3	3
Other Manufacturing	7	8
Total Manufacturing	68	71
Wholesale and Retail	25	23
All Other	7	6
Total	100	100

Selling Prices—Although price increases during 1975 were modest, the carryover effect of the strong upward movement during 1974 resulted in substantially higher average prices for 1975. The domestic selling price index (1967 = 100) was as follows:

	Quarter				Average
	1st	2nd	3rd	4th	for Year
1975	171	172	175	175	173
1974	111	126	144	157	134

Energy and Feedstocks—Total costs of major hydrocarbon feedstocks and of purchased electric power and fuels (coal, natural gas, and fuel oil) for domestic operations in 1975 and 1974, as well as the change in their average unit costs, were as follows:

	Domestic Purchases Millions of Dollars		Percent Change in Unit Costs
	1975	1974	'75 vs. '74
LPG	$151	$120	+28
Naphtha	150	154	
Purchased Fuels and Electric Power	352	247	+65

Maintenance and Repairs—In 1975, expenses for maintenance and repairs were $351.2 million, compared with $308.7 million in 1974.

Overhead and Depreciation—Selling, administrative, and other expenses increased 20 percent, reflecting the effects of worldwide inflation and the Corporation's commitment to strengthen its marketing and advertising programs. Advertising expenses were:

	Millions of Dollars	
	1975	1974
Domestic Operations	$35.5	$26.4
International Operations	19.9	15.1
Total	$55.4	$41.5

Research and development expenses increased 28 percent to $120.2 million. Depreciation amounted to $269.8 million in 1975, compared with $248.3 million in 1974.

Margins—Gross margin for the year was 32.2 percent, compared with 34.3 percent in 1974. The operating margin — income from operations as a percent of sales—dropped to 14.1 percent, compared with 17.8 percent in the prior year, principally because of lower operating rates.

Other Income and Interest Expense—In spite of lower investment income, other income—net was substantially higher in 1975 than in 1974. This was principally because foreign currency translation resulted in a credit to other income—net rather than a charge as in 1974. However, the overall impact of foreign currency translation on net income was a charge in both years and was greater in 1975 than in 1974. This is because the portion of foreign currency translation relating to inventories, which is included in plant cost under the new accounting policy (see Note 1 on page 31), was a charge in both years and greater in 1975 than in 1974.

Interest expense rose to $100.2 million, primarily because of the $300 million debenture issue sold in January 1975.

Taxes—Tax data for 1975 and 1974 are tabulated below. Other taxes include Social Security and property taxes.

	Millions of Dollars	
	1975	1974
Provision for Income Taxes	$343.2	$375.4
Other Taxes	146.9	131.6
Total	$490.1	$507.0

	Percent	
	1975	1974
Effective Income Tax Rate	46.0	41.5

The higher tax rate for 1975 is principally due to losses and write-offs for which tax deductibility is limited, and to lower earnings in Puerto Rico, where the Corporation operates under partial tax exemption.

(Continued on page 24)

Note: In December 1975, the policy for translation of foreign currencies was changed (See Notes 1 and 2 on page 31). In accordance with this change, financial results for prior years have been restated.

Consolidated Sales by Class of Product • Consolidated Sales and Pretax Income by Line of Business

Percent of Total 1975	Percent Change '75 vs.'74		Millions of Dollars 1975	1974	1973	1972	1971
		Sales					
29	+12	Chemicals	$1,653	$1,478	$1,068	$ 906	$ 823
13	—20	Plastics	707	880	606	452	398
42	0	Chemicals and Plastics	2,360	2,358	1,674	1,358	1,221
16	+16	Gases and Related Products	892	767	581	479	439
19	+ 3	Metals and Carbons	1,103	1,070	786	652	651
35	+ 9	Gases and Related Products, Metals, and Carbons	1,995	1,837	1,367	1,131	1,090
23	+16	Consumer and Related Products	1,310	1,125	898	772	727
100	+ 6	Total UCC Consolidated	$5,665	$5,320	$3,939	$3,261	$3,038
		Pretax Income					
37	—42	Chemicals and Plastics	$ 273	$ 473	$ 215	$ 130	$ 64
43	+ 9	Gases and Related Products, Metals, and Carbons	320	293	194	149	126
20	+11	Consumer and Related Products	153	138	146	108	101
100	—17	Total UCC Consolidated	$ 746	$ 904	$ 555	$ 387	$ 291

Consolidated Sales by Geographic Area • Domestic and International Contributions to Net Income

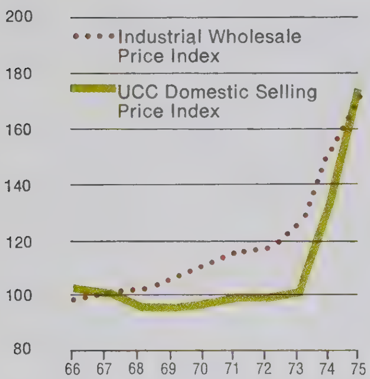
Percent of Total 1975	Percent Change '75 vs.'74		Millions of Dollars 1975	1974	1973	1972	1971
		Sales					
66	+ 7	Domestic Operations	$3,726.4	$3,496.0	$2,599.1	$2,270.5	$2,130.7
14	+ 4	Europe	818.6	786.6	515.2	344.6	291.2
6	+10	Canada	368.8	336.1	239.6	204.8	188.4
7	+10	Latin America	388.0	352.2	264.1	200.1	172.2
6	+ 1	Far East	315.0	311.1	250.9	191.7	211.0
1	+27	Africa and Middle East	48.2	38.1	69.9	49.6	44.0
34	+ 6	International Operations	1,938.6	1,824.1	1,339.7	990.8	906.8
100	+ 6	Total UCC Consolidated	$5,665.0	$5,320.1	$3,938.8	$3,261.3	$3,037.5
		Net Income					
72	—24	Domestic Operations	$ 275.6	$362.3	$204.8	$143.3	$108.1
26	—27	Consolidated International Subsidiaries	99.2	136.7	80.4	59.7	41.4
2	—74	International Companies Carried at Equity	6.9	26.1	12.0	3.0	3.3
28	—35	International Operations	106.1	162.8	92.4	62.7	44.7
100	—27	Total UCC Consolidated	$ 381.7	$525.1	$297.2	$206.0	$152.8

Notes:

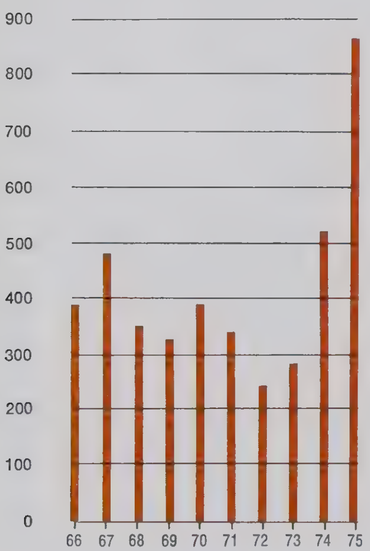
1. Throughout this Annual Report, the term "Domestic" means United States and Puerto Rico, and the term "Domestic Operations" refers generally to all companies operating in this area (including their exports to external customers). "International" means all other parts of the world, and "International Operations" refers generally to all companies not included in Domestic Operations.
2. The comparison of 1975 with 1974, as shown above, is influenced by the following factors:
   a) Shutdown in 1975 of Chemicals and Plastics facilities in Whiting, Indiana, resulted in a net charge of $11.0 million ($5.4 million after tax).
   b) Write-off in 1975 of costs due to deferral of plans to build a petroleum coke refinery near Sarnia, Ontario, Canada, resulting in a charge of $9.7 million, is included in Pretax Income from Gases and Related Products, Metals, and Carbons. A corresponding after-tax charge of $8.4 million is included in Net Income from Consolidated International Subsidiaries.
   c) In 1975, the Electronic Materials business was transferred from Metals and Carbons to Consumer and Related Products. Prior years have been restated.
   d) Sale in 1975 of interests in several companies engaged in tin operations, principally in Thailand, resulted in a gain of $11.9 million included in Pretax Income from Gases and Related Products, Metals, and Carbons. A corresponding after-tax gain of $7.6 million is included in Net Income from Consolidated International Subsidiaries.
3. In 1974, consolidation of three wholly owned Rhodesian subsidiaries engaged in the metals business was discontinued as of January 1. Sales of these subsidiaries in 1973 totaled $36.1 million.

(Footnotes continued on page 25)

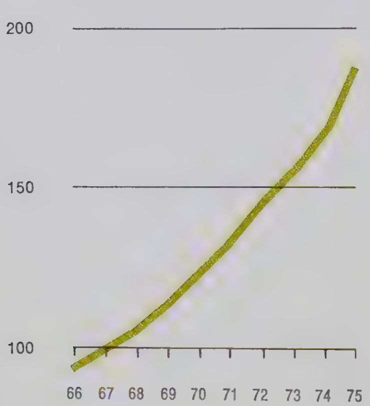
DOMESTIC PRICE INDEXES
(1967 = 100)



CONSTRUCTION EXPENDITURES
(Millions of Dollars)



BOECKH'S CONSTRUCTION COST INDEX (U.S.)
Commercial and Factory
(1967 = 100)



Provision for income taxes has been reduced by the following:

	Millions of Dollars 1975	1974
Investment Tax Credit Amortization	$ 5.7	$ 3.1
Domestic International Sales Corporation (DISC) Benefit	9.2	13.3

Minority Interest and Equity Companies—Minority stockholders' share of income was little changed from the prior year. Income from companies carried at equity was much lower than in 1974, principally because of the depressed condition of the plastics business in Sweden and Japan and the general recession in the Far East.

Net Income and Dividends—Net income in 1975 represents a return on sales of 6.7 percent, a return on average total assets of 7.2 percent, and a return on average UCC stockholders' equity of 14.5 percent. In 1975, $146.9 million or 38 percent of net income was paid out to stockholders in cash dividends, compared with $132.6 million or 25 percent in 1974.

Reconciliation of Earnings for 1975 and 1974—A summary of major variances that affected per share earnings during the past two years is displayed in the following table:

	Earnings Variance, Dollars Per Share 1975 vs. 1974	1974 vs. 1973
Domestic Gross Margin		
Selling Prices	$+8.08	$+8.04
Volume and Product Mix	—2.11	+0.06
Plant and Distribution Costs	—5.70	—5.21
Sub-Total	+0.27	+2.89
International Gross Margin	—0.24	+1.32
Total Gross Margin	+0.03	+4.21
Research and Development	—0.25	—0.16
Selling, Administrative, and Other Expenses	—1.03	—0.97
Depreciation	—0.20	—0.03
Income from Operations	—1.45	+3.05
Other Income—Net	+0.22	+0.23
Interest on Long-Term and Short-Term Debt	—0.29	—0.08
Income Tax Rate	—0.56	+0.40
Minority Stockholders' Share of Income	+0.04	—0.09
Share of Income of Companies Carried at Equity	—0.31	+0.23
Increase in Shares Outstanding	—0.03	—0.02
Net Change	$—2.38	$+3.72

Review of 1974 Results—In 1974, net income increased dramatically. Much higher sales resulted from a continued strong demand for Union Carbide's products, coupled with substantially higher selling prices. Although costs continued their inflationary advance, margins improved. Other income increased, principally because of higher interest income. Interest charges increased as a result of higher rates and increased borrowings by international subsidiaries to support working capital needs and greater construction expenditures. Minority interests, as well as income from companies carried at equity, increased substantially, the latter primarily because of improved results in the Far East. The extension of the "last-in, first-out" method of inventory valuation to certain foreign affiliates reduced net income by $13.9 million.

WORKING CAPITAL

Working capital increased $307.4 million during 1975 to $1,654.4 million by year-end.

The Corporation held a domestic portfolio of short-term securities amounting to $221 million at year-end 1975, compared with $117 million at year-end 1974.

Accounts receivable in dollars increased, but continued to represent approximately 60 days of sales. Days sales outstanding at the end of each quarter (calculated on quarterly sales) were:

	1st	2nd	3rd	4th
1975	58	60	62	59
1974	62	60	60	58

During 1974, inventories expanded to the desired range from the abnormally low levels of 1973. They then rose markedly in the first half of 1975, principally as a consequence of lower sales volume. In the second half, inventory levels were reduced. The value of inventories at the end of each quarter was:

	Millions of Dollars 1st	2nd	3rd	4th
1975	$1,235.9	$1,301.9	$1,206.8	$1,149.0
1974	798.5	896.3	989.4	1,090.8

CAPITAL PROGRAM

During 1975, construction expenditures rose to $862 million, a 67 percent increase over the 1974 level and almost three times the $289 million spent in 1973. With construction spending plans for 1976 and 1977 projected to approximate $1 billion per year, Union Carbide's spending levels are significantly higher than the average of $317 million per year spent during the five years prior to 1974. In part, this acceleration comes from the impact of inflation on all aspects of construction costs—engineering, labor, materials, and equipment. The Corporation's domestic construction cost index increased 32 percent in 1974 and an additional 20 percent in 1975. The cost of chemicals and plastics facilities escalated at even higher rates.

Construction expenditures in 1975 by companies carried at equity were $209 million, principally as a result of expenditures of $153 million by Petrosar Limited, a joint-venture petrochemicals company in which Union Carbide Canada Limited has a 20 percent interest.

(Continued on page 26)

Quarterly Data

	Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Sales, Millions	1975	$1,356.6	$1,394.1	$1,482.6	$1,431.7	$5,665.0
	1974	1,109.6	1,328.6	1,473.0	1,408.9	5,320.1
Net Income,* Millions	1975	114.5	98.1	88.6	80.5	381.7
	1974	84.7	135.7	158.9	145.8	525.1
Net Income Per Share*	1975	1.87	1.61	1.44	1.31	6.23
	1974	1.39	2.23	2.60	2.39	8.61
Dividends Per Share	1975	0.60	0.60	0.60	0.60	2.40
	1974	0.525	0.55	0.55	0.55	2.175
Market Price Range	1975	40⅛—58¼	54⅝—66½	55⅝—63½	54⅞—61¼	40⅛—66½
(NYSE) Per Share	1974	31¾—39	36⅛—44¼	34¾—43⅞	33¼—46	31¾—46

*All Net Income and Net Income Per Share amounts (except for the 4th Quarter of 1975) differ from the amounts originally reported because the policy for translation of foreign currencies was changed in December 1975. (See Notes 1 and 2 on page 31).

Invested Capital

	Millions of Dollars at Year-End				
	1975	1974	1973	1972	1971
Short-Term Borrowings	$ 176.5	$ 115.5	$ 118.8	$ 68.8	$ 105.8
Long-Term Debt, including Current Installments	1,315.3	989.8	971.4	958.2	948.2
UCC Stockholders' Equity	2,748.0	2,502.4	2,106.4	1,929.4	1,839.3
Total Invested Capital	$4,239.8	$3,607.7	$3,196.6	$2,956.4	$2,893.3

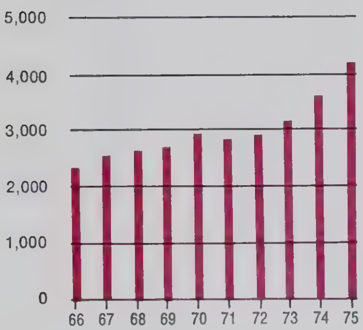
Construction Expenditures

	Millions of Dollars				
	1975	1974	1973	1972	1971
By Line of Business					
Chemicals and Plastics	$433	$228	$ 98	$ 82	$189
Gases and Related Products, Metals, and Carbons	324	228	157	131	96
Consumer and Related Products	105	61	34	31	50
Total UCC Consolidated	$862	$517	$289	$244	$335
By Geographic Area					
Domestic Operations	$607	$363	$196	$158	$249
Europe	104	53	27	18	31
Canada	77	49	22	26	12
Latin America	42	32	22	17	18
Far East	23	16	13	20	12
Africa and Middle East	9	4	9	5	13
International Operations	255	154	93	86	86
Total UCC Consolidated	$862	$517	$289	$244	$335
Companies Carried at Equity	$209	$ 21	$ 19	$ 32	$ 52

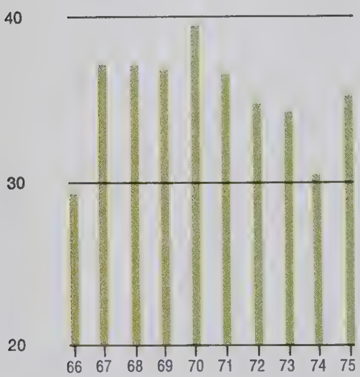
Notes (continued):

4. a) In 1973, recovery of damages under patent litigation of $7 million is included in Pretax Income from Gases and Related Products, Metals, and Carbons. A corresponding after-tax gain of $3.6 million is included in Net Income from Domestic Operations.
   b) In 1973, the Corporation increased its interest from 50 percent to 100 percent in a United Kingdom plastics manufacturing subsidiary on July 1, Non-consolidated sales during the first six months of 1973 were $78.8 million. The effect of this consolidation on income is not material.
   c) In 1973, abnormal property retirements at Cubatao, Brazil, partially offset by gains on sales of assets of a United Kingdom subsidiary, resulted in a net charge of $27 million included in Pretax Income from Chemicals and Plastics. A corresponding net charge of $17.3 million after tax is included in Net Income from Consolidated International Subsidiaries.
5. In 1972 and 1971, Pretax Income is before nonrecurring gains and charges, which have been treated as extraordinary items.

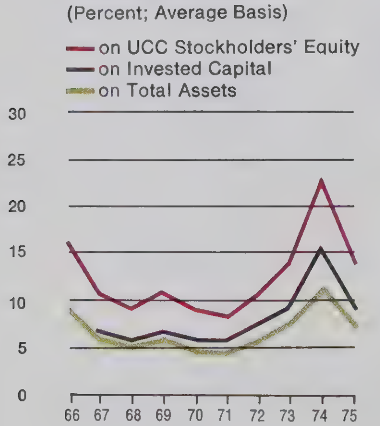
INVESTED CAPITAL
(Millions of Dollars)



TOTAL DEBT AS PERCENT
OF INVESTED CAPITAL



RETURN ON INVESTMENT
(Percent; Average Basis)



Construction expenditures for domestic environmental protection were about $40 million in 1975, compared with about $30 million in 1974. Such expenditures during the five-year period 1971 through 1975 totaled approximately $140 million. Operating expenses for these facilities were about $40 million in each of the years 1975 and 1974.

SOURCES OF CAPITAL

At the end of 1975, consolidated total debt constituted 35.2 percent of invested capital. Although it is anticipated that the debt ratio will remain in this range for the next two to three years, it is planned to keep this percentage between 31 and 34 percent over the longer term.

When appropriate, the Corporation utilizes project financing, various leasing arrangements, and joint ventures.

Major sources of funds during the year were the following:

Funds provided from operations—These totaled $777.5 million in 1975, compared with $832.7 million in 1974.

Long-term debt—Debt issues included $300 million of 8½ percent debentures, carrying double-A ratings, that were sold in January 1975; $75 million (Canadian dollars) of 10¾ percent debentures sold by Union Carbide Canada Limited; and revenue bond issues totaling $14.0 million to finance pollution abatement facilities.

Lines of credit—Various lines of credit are available to the Corporation and its subsidiaries. The principal domestic line of credit arrangements permit Union Carbide to borrow up to $600 million under 90-day notes. Of this, $200 million is available under a revolving credit agreement. The Corporation also maintains the highest-grade commercial paper rating.

Short-term borrowings, which were higher at various times during the year, included the following at the end of the years 1975 and 1974:

	Millions of Dollars 1975	1974
Domestic	$ 27.4	$ —
International	149.1	115.5
Total	$176.5	$115.5

The weighted average interest rates on short-term borrowings during 1975 and 1974 were approximately 11 percent and 13 percent, respectively.

Mineral production payment—This $160 million transaction, entered into in October, represented the advance sale of tungsten, uranium, and vanadium minerals.

OTHER FINANCIAL DATA

Balance of Payments—Union Carbide has consistently been a positive contributor to the United States' balance of payments. From 1971 through 1975, its dollar inflows exceeded outflows by $710 million. However, the level of this contribution has been greatly diminished in the last two years by the tremendous increase in crude oil and naphtha prices that commenced late in 1973.

	Millions of Dollars 1975	1974
Exports from the United States and Puerto Rico		
To Customers	$219	$216
To Subsidiaries	281	250
Total Exports	500	466
Net Dividends from International Affiliates	48	63
Other Receipts	22	20
Total Dollar Inflow	$570	$549
Total Imports	$305	$283
Investments (Outside U.S. & P.R.)	41	11
Repayment of Loans	22	86
Other Disbursements	126	92
Total Dollar Outflow	$494	$472
Net Favorable Balance	$ 76	$ 77

Employment—Year-end 1975 employment compares with 1974 as follows:

	1975	1974
Domestic Operations	56,678	58,286
International Operations	49,797	51,280
Total UCC Consolidated	106,475	109,566

Domestic employment costs in 1975—including wages and salaries, benefits, and payroll taxes — totaled $1,005.9 million, compared with $902.8 million in 1974. This represents 27 percent of domestic sales in 1975, and 26 percent in 1974.

Employment and cost statistics above do not include:

	1975	1974
Employees at Nuclear Facilities Operated for the U.S. Government	16,671	15,775
Employees of Companies Carried at Equity	7,134	5,982

Retirement Program—In the United States, essentially all employees participate in the retirement program. The principal plan is non-contributory. In 1975, the cost to the Corporation was equivalent to approximately 10 percent of payroll. The interest assumption for actuarial purposes is 6 percent. At the end of 1975, about 17,200 persons were receiving retirement program benefits amounting to approximately $44 million annually. Effective January 1, 1975, benefits were increased for employees who retired prior to January 1, 1973, at an additional cost for 1975 of approximately $1.4 million. Effective January 1, 1976, the plan was modified to provide improved benefits for employees retiring on or after that date.

Outside the United States, Union Carbide maintains various arrangements for providing retirement benefits.

Ten-Year Summary

Union Carbide Corporation and Subsidiaries

Dollars in Millions — Except Per Share Figures

For The Year	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Net Sales	$5,665.0	$5,320.1	$3,938.8	$3,261.3	$3,037.5	$3,026.3	$2,933.0	$2,685.9	$2,545.6	$2,587.0
Less: Plant Cost and Distribution Expense	3,839.3	3,497.9	2,575.9	2,137.1	2,016.4	2,002.9	1,914.2	1,738.2	1,609.8	1,582.0
Research and Development	120.2	94.2	76.8	69.6	78.3	78.0	75.6	82.7	85.3	77.0
Selling, Administrative, and Other Expenses	638.7	531.3	426.2	376.8	368.7	360.3	334.3	324.1	322.5	289.1
Depreciation	269.8	248.3	245.2	245.2	229.3	236.4	250.0	230.8	230.8	206.9
Income from Operations	797.0	948.4	614.7	432.6	344.8	348.7	358.9	310.1	297.2	432.0
Plus: Other Income—Net	48.7	25.6	0.5	10.3	7.3	6.7	33.2	3.6	11.8	10.8
Less: Interest on Long-Term and Short-Term Debt	100.2	69.8	60.6	56.1	60.9	58.5	50.9	47.1	41.9	30.4
Income before Provision for Income Taxes	745.5	904.2	554.6	386.8	291.2	296.9	341.2	266.6	267.1	412.4
Provision for Income Taxes	343.2	375.4	245.0	164.3	126.9	130.4	149.1	100.9	92.3	165.9
Income before Minority Interests and UCC Share of Income of Companies Carried at Equity	402.3	528.8	309.6	222.5	164.3	166.5	192.1	165.7	174.8	246.5
Less: Minority Share of Income	28.4	30.7	25.0	17.8	15.7	13.3	10.5	9.8	10.0	10.5
Plus: UCC Share of Income of Companies Carried at Equity	7.8	27.0	12.6	3.5	4.4	4.1	4.6	1.1	5.9	3.6
Income before Extraordinary Items	381.7	525.1	297.2	208.2	153.0	157.3	186.2	157.0	170.7	239.6
Extraordinary Items	—	—	—	(2.2)	(0.2)	—	—	—	—	—
Net Income	381.7	525.1	297.2	206.0	152.8	157.3	186.2	157.0	170.7	239.6
Net Income Per Share	6.23	8.61	4.89	3.40	2.52	2.60	3.08	2.60	2.82	3.97
Dividends Per Share	2.40	2.175	2.075	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Construction	862.2	516.6	288.7	243.9	335.2	393.7	322.2	347.1	478.7	393.6
Market Price Range Per Share (NYSE)										
High	66½	46	51¾	52	50⅜	40½	47¼	50⅛	59	70⅜
Low	40⅛	31¾	29¼	41⅞	38⅝	29½	35¼	40⅛	45⅛	45⅝

At Year-End	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Working Capital	1,654.4	1,347.0	1,205.0	997.3	870.7	789.3	870.5	811.1	871.8	746.0
Total Assets	5,740.8	4,879.2	4,163.4	3,711.3	3,546.3	3,563.8	3,355.9	3,208.6	3,088.3	2,759.8
Invested Capital	4,239.8	3,607.7	3,196.6	2,956.4	2,893.3	2,976.3	2,787.1	2,698.7	2,644.3	2,275.4
UCC Stockholders' Equity	2,748.0	2,502.4	2,106.4	1,929.4	1,839.3	1,804.6	1,766.7	1,701.2	1,665.0	1,607.6
Per Share	44.80	41.01	34.60	31.77	30.37	29.84	29.22	28.14	27.54	26.61
Shares Outstanding (Thousands)	61,336	61,016	60,868	60,732	60,568	60,479	60,479	60,465	60,454	60,423
Number of Employees	106,475	109,566	109,417	98,114	99,181	102,144	104,411	100,448	99,794	101,785

Other Financial Data	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Current Ratio	2.5	2.2	2.5	2.6	2.6	2.2	2.7	2.7	3.1	2.6
Debt as Percent of Invested Capital	35.2	30.6	34.1	34.7	36.4	39.4	36.6	37.0	37.0	29.3
Net Income as Percent of:										
Sales	6.7	9.9	7.5	6.3	5.0	5.2	6.3	5.8	6.7	9.3
Assets (Average)	7.2	11.6	7.5	5.7	4.3	4.6	5.7	5.0	5.8	9.0
Invested Capital (Average)	9.7	15.4	9.7	7.0	5.2	5.5	6.8	5.9	6.9	N.A.
UCC Stockholders' Equity (Average)	14.5	22.8	14.7	10.9	8.4	8.8	10.7	9.3	10.4	15.5

In December 1975, the policy for translation of foreign currencies was changed (See Notes 1 and 2 on page 31). In accordance with this change, financial results for prior years have been restated.

Net income per share is based on weighted average number of shares outstanding during the year.

Invested capital consists of short-term debt, long-term debt including current installments, and UCC stockholders' equity.

Consolidated Statement of Income and Retained Earnings

Union Carbide Corporation and Subsidiaries

	Millions of Dollars (Except Per Share Figures) Year Ended Dec. 31, 1975	Year Ended Dec. 31, 1974 (Note 2)
Net Sales	$5,665.0	$5,320.1
Operating Costs and Expenses		
Plant Cost and Distribution Expense	3,839.3	3,497.9
Research and Development	120.2	94.2
Selling, Administrative, and Other Expenses	638.7	531.3
Depreciation	269.8	248.3
	4,868.0	4,371.7
Income from Operations	797.0	948.4
Plus: Other Income—Net	48.7	25.6
Less: Interest on Long-Term and Short-Term Debt	100.2	69.8
Income Before Provision for Income Taxes	745.5	904.2
Provision for Income Taxes		
Current	232.6	329.5
Deferred	110.6	45.9
Total	343.2	375.4
Income Before Minority Stockholders' Share of Income and UCC Share of Income of Companies Carried at Equity	402.3	528.8
Less: Minority Stockholders' Share of Income	28.4	30.7
	373.9	498.1
Plus: UCC Share of Income of Companies Carried at Equity	7.8	27.0
Net Income	381.7	525.1
Retained Earnings at January 1	2,178.3	1,784.9
Adjustments	0.6	0.9
	2,560.6	2,310.9
Dividends Declared	146.9	132.6
Retained Earnings at December 31	$2,413.7	$2,178.3
Per Share		
Net Income*	$6.23	$8.61
Dividends Declared	$2.40	$2.175

*Based on 61,268,981 shares (60,998,379 shares in 1974), the weighted average number of shares outstanding during the year.

The Notes to Financial Statements on pages 31 through 35 are an integral part of this statement.

Consolidated Balance Sheet

Union Carbide Corporation and Subsidiaries

Assets

	Millions of Dollars Dec. 31, 1975	Dec. 31, 1974 (Note 2)
Current Assets		
Cash	$ 90.1	$ 95.0
Time Deposits and Short-Term Marketable Securities	495.0	331.1
	585.1	426.1
Notes and Accounts Receivable	913.7	885.1
Inventories		
Raw Materials and Supplies	354.3	371.6
Work in Process	283.0	267.9
Finished Goods	511.7	451.3
	1,149.0	1,090.8
Prepaid Expenses	76.7	58.5
Total Current Assets	2,724.5	2,460.5
Fixed Assets		
Property, Plant, and Equipment	6,038.2	5,371.7
Less: Accumulated Depreciation	3,253.7	3,136.0
Net Fixed Assets	2,784.5	2,235.7
Investments and Advances		
Companies Carried at Equity	106.3	77.8
Other	45.6	37.3
Other Assets	79.9	67.9
	$5,740.8	$4,879.2

Liabilities and Stockholders' Equity

	Dec. 31, 1975	Dec. 31, 1974
Current Liabilities		
Accounts Payable	$ 277.2	$ 291.9
Short-Term Borrowings	176.5	115.5
Payments Due Within One Year on Long-Term Debt	37.8	95.8
Accrued Income and Other Taxes	168.0	224.3
Other Accrued Liabilities	410.6	386.0
Total Current Liabilities	1,070.1	1,113.5
Deferred Credits	473.5	204.0
Long-Term Debt	1,277.5	894.0
Minority Stockholders' Equity in Consolidated Subsidiaries	171.7	165.3
UCC Stockholders' Equity	2,748.0	2,502.4
	$5,740.8	$4,879.2

The Notes to Financial Statements on pages 31 through 35 are an integral part of this statement.

Consolidated Statement of Changes in Financial Position

Union Carbide Corporation and Subsidiaries

	Millions of Dollars	
	Year Ended Dec. 31, 1975	Year Ended Dec. 31, 1974 (Note 2)
Working Capital at Beginning of Year	$1,347.0	$1,205.0
Additions		
Operations		
Net Income	381.7	525.1
Depreciation	269.8	248.3
Deferred Income Taxes—Noncurrent	100.8	52.6
Minority Stockholders' Share of Income	28.4	30.7
Unremitted Earnings of Companies Carried at Equity	(3.2)	(24.0)
Working Capital Provided from Operations	777.5	832.7
Proceeds from Sale of Mineral Production Payment	160.0	—
New Financing		
Long-Term Debt	443.5	43.1
Other	10.2	2.7
Disposals of Net Fixed Assets	17.5	26.7
Total Additions	1,408.7	905.2
Deductions		
Dividends Paid	146.9	132.6
Construction Expenditures	862.2	516.6
Reduction in Long-Term Debt	56.1	98.2
Other—Net	36.1	15.8
Total Deductions	1,101.3	763.2
Increase in Working Capital	307.4	142.0
Working Capital at End of Year	$1,654.4	$1,347.0

Changes in Components of Working Capital

Cash and Time Deposits and Short-Term Marketable Securities	$ 159.0	$ (125.4)
Receivables	28.6	217.9
Inventories	58.2	334.7
Prepaid Expenses	18.2	7.7
Increase in Current Assets	264.0	434.9
Accounts Payable	(14.7)	73.1
Short-Term Borrowings	61.0	(3.3)
Other Current Liabilities	(89.7)	223.1
Increase (Decrease) in Current Liabilities	(43.4)	292.9
Increase in Working Capital	$ 307.4	$ 142.0

The Notes to Financial Statements on pages 31 through 35 are an integral part of this statement.

1. Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the assets, liabilities, revenues, and expenses of all significant subsidiaries except three Rhodesian subsidiaries, which are included in Other Investments at the value of Union Carbide's equity in their net assets at January 1, 1974. Investments in significant companies generally 20 to 50 percent owned are carried at equity in net assets, and Union Carbide's share of their earnings is included in income. Intercompany transactions have been eliminated. All other investments are carried at cost or less.

Translation of Foreign Currencies—In December 1975, the policy for translation of foreign currencies was changed pursuant to Statement No. 8 of the Financial Accounting Standards Board issued in October 1975. Under the new policy, accounts carried in foreign currencies are translated into U.S. dollars as follows: (a) inventories, fixed assets, investments, intangibles, and deferred credits at historical rates; (b) all other assets and liabilities at year-end rates; (c) income and expenses at monthly rates, except for depreciation and amortization of those balance sheet accounts translated at historical rates. Gains and losses resulting from exchange rate fluctuations are credited or charged to income currently. Prior to the change, inventories were translated at year-end rates; also, translation adjustments of long-term debt arising from the effects of major currency revaluations or devaluations were deferred and amortized over the remaining terms of the debt. Financial statements for years prior to 1975 have been restated to reflect the effect of the change.

Marketable Securities—Marketable securities are carried at the lower of cost or market.

Inventories—Inventory values, which do not include depreciation, are stated at cost or market, whichever is lower. Cost is determined generally on the "last-in, first-out" (LIFO) method for U.S. companies and for certain subsidiaries operating outside the United States. Generally the "average cost" method is used by all other subsidiaries.

If the "first-in, first-out" (FIFO) method had been used, it is estimated that inventories would have been approximately $520 million and $233 million higher than reported at December 31, 1975, and December 31, 1974, respectively.

Fixed Assets and Depreciation—Fixed assets are carried at cost. Expenditures for replacements are capitalized, and the replaced items are retired. Maintenance and repairs are charged to operations. Gains and losses from the sale of property are reflected in income.

Depreciation is calculated on a straight-line basis utilizing U.S. Internal Revenue Service guideline lives. The Corporation and its subsidiaries use other depreciation methods (generally accelerated) for tax purposes where appropriate.

Research and Development—Research and development costs are charged to expense as incurred. Depreciation expense applicable to research and development facilities and equipment is included in depreciation in the income statement ($5.8 million in 1975 and $6.0 million in 1974).

Income Taxes—Provision has been made for deferred income taxes where differences exist between the time in which transactions, principally relating to depreciation, affect taxable income and the time in which they enter into the determination of income in the financial statements.

The investment tax credit is deferred and amortized over the average life of fixed assets by reductions in the Provision for Income Taxes.

Net Income Per Share—Net income per share is based on the weighted average number of shares of common stock outstanding in each year. There would have been no material dilutive effect on net income per share for 1975 or 1974 if convertible securities had been converted and if outstanding stock options granted had been exercised.

2. Foreign Currency Adjustments

The financial statements for 1974 have been restated for the change in accounting policy for translation of foreign currencies described in Note 1. As a result, net income for 1974 is $5.0 million, or $0.08 per share, less than originally reported, and retained earnings at the beginning and end of 1974 are, respectively, $2.1 million higher and $2.9 million lower than originally reported. For 1975, net income is $10.3 million, or $0.17 per share, higher than it would have been under the previous policy.

In 1975, translation of balance sheet accounts carried in foreign currencies, and exchange gains and losses, resulted in a credit to Other Income—Net of $12.9 million ($18.7 million charge in 1974). The effect, after provision for taxes and minority interests, and including exchange adjustments of companies carried at equity, was to increase net income in 1975 by $10.4 million ($5.9 million reduction in 1974).

3. International Operations

The following is a financial summary of consolidated international subsidiaries and international companies carried at equity:

	Millions of Dollars			
	Dec. 31, 1975		Dec. 31, 1974	
	Consolidated Subsidiaries	Companies Carried at Equity*	Consolidated Subsidiaries	Companies Carried at Equity*
Total Assets	$1,951.4	$651.8	$1,742.0	$415.7
Less:				
Total Liabilities	946.3	425.5	810.1	273.5
Net Assets	1,005.1	226.3	931.9	142.2
UCC Equity	$ 866.6	$ 96.4	$ 797.2	$ 69.5
Net Sales	$1,938.6	$568.2**	$1,824.1	$739.6**
Net Income	$ 124.7***	$ 7.4	$ 165.1	$ 52.5
UCC Share	$ 99.2***	$ 6.9	$ 136.7	$ 26.1

*In November 1975, the Corporation reduced its interest in Union Carbide Mexicana, S.A. from a majority position to 45.7 percent. As a result, the assets, liabilities, sales, and income of this company were thereafter excluded from consolidation and the Corporation's investment was carried at equity in net assets. Assets and liabilities of this company included in amounts for international companies carried at equity at December 31, 1975, were $73.0 million and $37.1 million, respectively. The effect of this change on net income is not material. In December 1975, the Corporation sold its interests in several companies engaged in tin operations, principally in Thailand. Amounts included in net sales of companies carried at equity in 1975 and 1974 for these companies were $221.4 million and $380.1 million, respectively. Assets and liabilities of the companies included in amounts at December 31, 1974, were $81.6 million and $65.5 million, respectively. Net income amounts in both years were not material.

**Exclusive of $40.5 million net sales to UCC and its consolidated subsidiaries in 1975 ($24.1 million in 1974).

***Includes a charge of $8.4 million for the write-off of costs resulting from deferral of plans to construct a petroleum coke refinery near Sarnia, Ontario, Canada.

4. Supplementary Balance Sheet Detail

	Millions of Dollars December 31, 1975	Millions of Dollars December 31, 1974
Notes and Accounts Receivable		
Trade	$ 842.6	$ 790.9
Other	88.1	109.8
	930.7	900.7
Less: Allowance for Doubtful Accounts	17.0	15.6
	$ 913.7	$ 885.1
Fixed Assets		
Land and Improvements	$ 311.8	$ 290.4
Buildings	695.9	651.4
Machinery and Equipment	4,317.7	4,033.6
Construction in Progress and Other	712.8	396.3
	$6,038.2	$5,371.7
Other Assets		
Deferred Charges	$ 32.4	$ 23.3
Long-Term Receivables	37.4	34.3
Patents, Trade Marks, and Goodwill	10.1	10.3
	$ 79.9	$ 67.9
Deferred Credits		
Income Taxes*	$ 234.7	$ 158.9
Investment Tax Credit	53.3	28.3
Mineral Production Payment**	160.0	—
Other	25.5***	16.8
	$ 473.5	$ 204.0

*Deferred income taxes related to current items are included in accrued income and other taxes in the amount of $36.4 million in 1975 ($24.9 million in 1974).

**In 1975, the Corporation sold a $160 million mineral production payment, representing the advance sale of tungsten, uranium, and vanadium minerals to be delivered over a seven-year period commencing in 1976.

***Includes a credit of $5.7 million representing the net amount of estimated insurance proceeds less costs to date relating to the explosion in February 1975 in the polyethylene section of the Antwerp, Belgium, plant. These items have been deferred pending final determination of insurance proceeds and costs.

5. Long-Term Debt

	Millions of Dollars December 31, 1975	1974
Union Carbide Corporation		
3.50% Notes due semiannually to 1984	$135.0	$150.0
3.625% Notes due semiannually to 1990, issued at a discount to yield lenders 4.50% per annum over the term of the notes	37.5	40.0
4.50% Notes due semiannually to 1996	41.2	43.1
4.50% Notes due annually, 1985 to 1994	200.0	200.0
5.30% Sinking Fund Debentures, with equal annual sinking fund payments, 1978 to 1997	250.0	250.0
6.80% and 6.60% Notes, payable in Belgian francs, due December 31, 1975	—	53.9
7.875% Eurodollar Loan due quarterly to 1977	6.7	10.0
8.50% Sinking Fund Debentures due 2005, with annual sinking fund payments, 1986 to 2004	300.0	—
Capitalized Leases and Installment Purchase Obligations	45.8	31.8
Domestic Subsidiary		
4.75% Guaranteed Debentures due 1982, convertible into Union Carbide Corporation common stock at $56.50 per share	49.3	50.0
International Subsidiaries		
Various maturities and interest rates	249.8	161.0
	1,315.3	989.8
Less: Payments due within one year	37.8	95.8
	$1,277.5	$894.0

Capitalized Leases and Installment Purchase Obligations represent state and local governmental bond financing of pollution abatement facilities and are treated for accounting and tax purposes as debt of Union Carbide Corporation. Periodic lease and installment payments will amortize the principal and interest to maturity at an average effective annual interest rate of 5.74 percent.

International subsidiaries' debt includes $49.7 million in 1975 and 1974 due in U.S. dollars. At December 31, 1975, $232.0 million of international consolidated assets was pledged as security for $61.7 million of international subsidiaries' debt.

Payments due on long-term debt in the four years after 1976 are: 1977, $47.0 million; 1978, $51.0 million; 1979, $56.2 million; 1980, $51.2 million.

Various lines of credit are available to the Corporation and its subsidiaries. The principal domestic line of credit, entered into in August 1974, permits the Corporation to borrow $400 million, subject to customary review and annual renewal, and also permits the Corporation to borrow $200 million under a revolving credit agreement. These arrangements provide for 90-day notes and interest at the prime rate, with a fee of ½ of 1 percent per annum on the unused portion of the revolving credit commitment. Any notes outstanding under the revolving credit agreement on August 15, 1977, may be converted into four-year term notes, payable in equal semiannual installments, bearing interest at a fluctuating rate of ½ of 1 percent above prime. Commencing in July 1975, the Corporation borrowed from time to time under its $400 million principal line of credit arrangement. At December 31, 1975, there were no outstanding borrowings under this arrangement. There have been no borrowings under the $200 million revolving credit agreement. The Corporation as a matter of practice maintains its bank balances in amounts sufficient to compensate banks for credit lines and services.

6. UCC Stockholders' Equity

Capital Stock

Authorized—Preferred Stock	$1.00 par value	10,000,000 shares
Common Stock	$1.00 par value	90,000,000 shares

	Dollars in Millions: Dec. 31, 1975 Shares	Amount	Dec. 31, 1974 Shares	Amount
Issued—Preferred	none	—	none	—
Common	61,837,378	$ 339.5	61,582,631	$ 330.1
Retained Earnings		2,413.7		2,178.3
		2,753.2		2,508.4
Less: Treasury Stock at Cost Held by the Corporation	501,464	5.2	566,439	6.0
	61,335,914	$2,748.0	61,016,192	$2,502.4

Issued shares include 129,702 shares at December 31, 1975 (66,200 shares at December 31, 1974), held by the Corporation as collateral under employee stock purchase agreements. The amount to be paid under these agreements, $3.7 million at December 31, 1975 ($2.6 million at December 31, 1974), has been deducted from common stock (Note 11). During 1975, the Corporation issued 200,909 shares (22,709 shares in 1974) under employee stock option plans, and issued 42,185

shares (255 shares in 1974) that were purchased at market price by the Trustee under the Savings Plan for Employees.

Also during 1975, 64,975 shares of treasury common stock were transferred in a pooling of interests transaction (125,318 shares in two transactions in 1974), with appropriate adjustment to retained earnings, and 11,653 shares were issued upon conversion of $0.7 million of 4.75% convertible debentures of a domestic subsidiary.

Shares of common stock were reserved for issuance as follows:

	December 31, 1975	December 31, 1974
For conversion of convertible debentures	873,302	884,955
For stock option plans:		
Options granted but not exercised	61,632	237,109
Available for granting future options	188,368	223,300
For sale to Trustee under the Savings Plan for Employees	290,472	—
	1,413,774	1,345,364

7. Non-Capitalized Leases and Rentals

Total lease and rental payments, under leases extending one month or more, were $61.9 million in 1975 ($55.3 million in 1974).

Commitments under noncancelable operating and financing leases extending for one year or more will require the following future payments:

	Millions of Dollars								
	1976	1977	1978	1979	1980	1981/1985	1986/1990	1991/1995	After 1995
Distribution Equipment and Facilities	$19	$17	$14	$13	$11	$46	$40	$24	$11
Office Space	8	7	6	5	3	8	1	—	—
Other	9	6	4	2	2	6	5	4	1
Total	$36	$30	$24	$20	$16	$60	$46	$28	$12

If financing leases had been capitalized, the impact on net income would not have been material.

8. Income Taxes

The following is an analysis of income tax expense:

	1975 Current	1975 Deferred	1974 Current	1974 Deferred
	Millions of Dollars			
U.S. Federal Income Taxes	$115.0	$ 46.8	$145.2	$18.4
U.S. Investment Tax Credit	(30.7)	25.0	(13.8)	10.7
U.S. State and Local Taxes Based on Income	14.9	—	15.0	—
Non-U.S. Income Taxes	133.4	38.8	183.1	16.8
	$232.6	$110.6	$329.5	$45.9

The consolidated effective income tax rate was 46.0 percent in 1975 and 41.5 percent in 1974. The 1975 rate is below the statutory federal income tax rate of 48 percent principally because of capital gains and other special rate items. The lower tax rate in 1974 is principally due to the effect of income taxes of companies operating outside the United States, which represented 5.7 of the 6.5 percentage point difference.

Investment tax credit applicable to owned and leased assets placed in service in the United States in 1975 amounted to $30.7 million ($13.8 million in 1974). This amount is being deferred and amortized over the average life of fixed assets by reductions in the Provision for Income Taxes.

Consolidated retained earnings include undistributed earnings of affiliates accumulated over many years of approximately $720 million ($600 million in 1974) after applicable income taxes provided by these affiliates. The Corporation has determined that no additional provision for taxes is required since these earnings have been or will be reinvested indefinitely.

9. Retirement Program

The retirement program of Union Carbide Corporation covers substantially all U.S. employees and certain employees in other countries. Various arrangements for providing retirement benefits are maintained by consolidated international subsidiaries. The retirement program cost for 1975, including the cost of funded and unfunded pension plans of consolidated international subsidiaries, which are accounted for substantially on an accrual basis, amounted to $96.8 million ($87.2 million in 1974). At September 30, 1975, the date of the latest available estimate, the estimated amount necessary to provide for all unfunded prior service costs was approximately $605 million.

For the U.S. retirement program, accrued costs are funded for all employees age 25 and over. Program costs amounted to $77.0 million in 1975, compared with $70.4 million in 1974. The cost for 1976 is currently estimated at $110 million, reflecting the impact of factors such as higher wage and salary costs and the cost of improvements effective January 1, 1976. Effective January 1, 1975, the period of amortization for prior service costs was reduced from 40 years to 30 years; the effect of this change on net income is not material. Compliance with the Employee Retirement In-

come Security Act of 1974 (ERISA) has had a relatively minor effect on costs of the U.S. retirement program, and because of the application of more refined cost analysis techniques, additional costs related to ERISA in 1976 are expected to be less than had been previously estimated.

At September 30, 1975, the date of the latest available estimate, the maximum liability for benefits vested with U.S. employees exceeded the carrying value of plan assets by approximately $137 million. At December 31, 1974, the date of the latest actuarial valuation, the corresponding amount was $103 million.

10. Other Income—Net

Other Income—Net in 1975 includes (1) investment income of $36.3 million ($47.1 million in 1974), principally from short-term investments; (2) as stated in Note 2, a credit for foreign currency translation of $12.9 million ($18.7 million charge in 1974); (3) a charge of $9.7 million ($8.4 million after tax or $0.14 per share) for write-off of costs resulting from the deferral of plans to build a petroleum coke refinery near Sarnia, Ontario, Canada; and (4) a net charge of $0.6 million from sales and disposals of businesses and other assets.

Included in the last item is a gain of $11.9 million ($7.6 million after tax or $0.12 per share) from sale of the Corporation's interests in several companies engaged in tin operations, principally in Thailand, and a net charge of $11.0 million ($5.4 million after tax or $0.09 per share) from the shutdown of Chemicals and Plastics facilities in Whiting, Indiana.

11. Incentive Programs

In 1974, the stockholders approved a new five-year Union Carbide Incentive Program for key employees, consisting of a "Long-Term Plan," which is a combination cash payment and stock option plan; and an "Annual Plan," which is a separate cash awards plan. Under the Long-Term Plan, the number of shares subject to options may not exceed 250,000. Option prices are 100 percent of fair market value on the date of grant. Options become exercisable five years after, and expire seven years after, the date of grant. Option awards are coupled with a contingent cash award, which may not exceed two times the aggregate option price, payable five years after the date of the award. The payment and amount of the cash award are contingent upon achievement by the Corporation of certain earnings objectives. Annual Plan awards consist of cash bonuses based on achievement of certain corporate goals as well as on individual performance.

No further awards may be made under previous stock option plans, for which the last options expired in 1975. Some options granted under these plans were exercised by execution of a purchase contract payable within five years. Shares sold under these contracts not yet paid for are held by the Corporation as collateral.

When shares are issued upon exercise of options, no charges are made to income and the entire proceeds when received are credited to the common stock account.

The status of options is as follows:

	Number of Shares of Common Stock	
Options	1975	1974
Outstanding at January 1	237,109	316,884
Granted—During the year	34,932	26,700
Exercised—During the year	200,909	22,709
Canceled or Expired—		
During the year	9,500	83,766
Outstanding at December 31 ...	61,632	237,109

12. Commitments

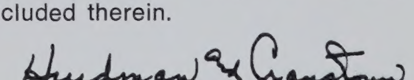
At December 31, 1975, the cost of completing authorized construction projects is estimated at $1,400 million. A portion of this amount is covered by firm commitments.

Report of Independent Certified Public Accountants

To The Stockholders and Board of Directors
of Union Carbide Corporation

We have examined the accompanying consolidated financial statements (pages 28 through 35) of Union Carbide Corporation and subsidiaries as of December 31, 1975 and 1974 and the Ten-Year Summary (page 27). Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Union Carbide Corporation and subsidiaries at December 31, 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of translation of foreign currencies as explained in Note 1. Also, in our opinion, the Ten-Year Summary presents fairly the financial information included therein.



Certified Public Accountants

140 Broadway
New York, New York
February 13, 1976

Operating Units

Agricultural Products Division

E. A. Munoz, *President*

Battery Products Division

J. M. Rehfield, *President* (also *Vice-President, UCC)*

Carbon Products Division

F. B. Vernon, *President* (also *Vice-President, UCC)*

Chemicals and Plastics

R. J. Hughes, *Vice-President, UCC*

A. C. MacLeod, *President*—Operations
J. B. Reid, *President*—Commercial

Electronic Materials

F. P. Holloway, *General Manager*

Metals Division

F. C. Kroft, Jr., *President* (also *Vice-President, UCC)*

Home and Automotive Products, Films—Packaging, and Polyethylene

E. E. Tarika, *Vice-President, UCC*

A. C. Egler, *President,* Home and Automotive Products Division

G. E. Bailie, *President,* Films—Packaging Division

Linde Division

Alec Flamm, *President* (also *Vice-President, UCC)*

Nuclear Division

R. F. Hibbs, *President*

Union Carbide Africa and Middle East, Inc.

D. N. Wait, *Chairman*

The Corporation's interests in Africa and the Middle East are represented by this subsidiary. Major producing companies include:

	MAJORITY OWNED
GHANA	Ucar Plastics (Ghana) Limited Union Carbide Ghana Limited
IRAN	Union Carbide Iran S.A.
IVORY COAST	Union Carbide Cote d'Ivoire
KENYA	Union Carbide Kenya Limited
REPUBLIC OF SOUTH AFRICA	Chrome Corporation (South Africa) (Proprietary) Limited Multifoil (Proprietary) Limited Ucar Chrome Company (S.A.) (Proprietary) Limited Ucar Minerals Corporation
RHODESIA	The African Chrome Mines Limited Rhodesia Chrome Mines Limited Union Carbide Rhomet (Private) Limited
SUDAN	Union Carbide Sudan Limited
	OTHER MAJOR AFFILIATED COMPANIES
REPUBLIC OF SOUTH AFRICA	Elektrode Maatskappy Van Suid Afrika (Eiendoms) Beperk Tubatse Ferrochrome (Proprietary) Limited

Union Carbide Canada Limited

J. S. Dewar, *President*

This subsidiary has responsibility for all three of the Corporation's lines of business in Canada.

Union Carbide Eastern, Inc.

B. V. Salenius, *Chairman*

K. D. Rutter, *Vice-Chairman*

This subsidiary has responsibility for interests in the Far East. Major producing companies are:

	MAJORITY OWNED
AUSTRALIA	Union Carbide Australia Limited
HONG KONG	Sonca Industries Limited
INDIA	Union Carbide India Limited
INDONESIA	P. T. Union Carbide Indonesia
JAPAN	Union Carbide Services Eastern Limited
MALAYSIA	Union Carbide Malaysia Sdn. Bhd.
NEW ZEALAND	Union Carbide New Zealand Limited
PHILIPPINES	Union Carbide Philippines, Inc.
REPUBLIC OF SRI LANKA	Union Carbide Ceylon Limited
SINGAPORE	Metals and Ores Pte. Limited Union Carbide Singapore Pte. Limited
THAILAND	Union Carbide Thailand Limited
	OTHER MAJOR AFFILIATED COMPANIES
JAPAN	Nippon Unicar Company Limited Shin Nippon Carbon Company, Ltd. Showa Union Gosei Co., Ltd. Showa Unox K.K.

Union Carbide Europe, Inc.

J. C. Stephenson, *Chairman* (also *Vice-President, UCC)*

A. A. Boehm, *Vice-Chairman*

This subsidiary represents the Corporation's interests in the United Kingdom and Continental Europe. Major producing companies in this area are:

	MAJORITY OWNED
BELGIUM	Union Carbide Belgium N.V.
FRANCE	La Littorale S.A. Union Carbide France S.A.
GERMANY (WEST)	Union Carbide Deutschland G.m.b.H.
GREECE	Union Carbide Hellas Industrial and Commercial S.A.
ITALY	Union Carbide Italia S.p.A. Elettrografite Meridionale S.p.A. Uniliq S.p.A.
NORWAY	A/S Meraker Smelteverk A/S Saudefaldene Electric Furnace Products Company, Limited
SPAIN	Union Carbide Iberica, S.A. Union Carbide Navarra, S.A.
SWEDEN	Union Carbide Norden AB
UNITED KINGDOM	Bakelite Xylonite Limited British Acheson Electrodes Limited Union Carbide U.K. Limited
	OTHER MAJOR AFFILIATED COMPANIES
BELGIUM	Evipak S.A.
FRANCE	Tamimo S.A. Viscora, S.A.
SPAIN	Argon, S.A.
SWEDEN	Unifos Kemi AB
UNITED KINGDOM	Viskase Limited

Union Carbide Pan America, Inc.

J. H. Jones, *Chairman*

The Corporation's interests in Latin America are represented by this subsidiary. Major producing companies are:

	MAJORITY OWNED
ARGENTINA	Union Carbide Argentina S.A.I.C.S.
BRAZIL	S.A. White Martins S.A. White Martins Nordeste Union Carbide do Brasil S.A.I.C.
COLOMBIA	Union Carbide Colombia, S.A.
COSTA RICA	Union Carbide Centro Americana, S.A.
ECUADOR	Union Carbide Ecuador C.A.
VENEZUELA	Union Carbide de Venezuela, C.A.
	OTHER MAJOR AFFILIATED COMPANIES
MEXICO	Union Carbide Mexicana, S.A.

Union Carbide Puerto Rico, Inc.

A. Celaya, Jr., *Chairman*

This wholly owned subsidiary coordinates Union Carbide's activities in Puerto Rico. Operations on the island include a petrochemicals complex, a food casings plant, and a graphite electrode plant, all managed by separate subsidiaries.

Directors and Officers

DIRECTORS

Warren M. Anderson
Executive Vice-President

R. Manning Brown, Jr.
Chairman, New York Life Insurance Company

Roberto de Jesus Toro
President, Banco de Ponce (Puerto Rico)

James L. Ferguson
Chairman and President
General Foods Corporation

James M. Hester
Rector, United Nations University

Jerome H. Holland
Director of Various Corporations

Jack B. Jackson
President, J. C. Penney Company, Inc.

Frank R. Lyon, Jr.
Senior Vice-President and General Counsel

Birny Mason, Jr.
Retired Chairman of the Board

Robert E. McNeill, Jr.
Retired Chairman
Manufacturers Hanover Corporation (Banking)

William B. Nicholson
Vice-Chairman

Ian D. Sinclair
Chairman and Chief Executive Officer
Canadian Pacific Limited

William S. Sneath
President and Chief Operating Officer

F. Perry Wilson
Chairman of the Board and
Chief Executive Officer

OFFICERS

Chairman of the Board and
Chief Executive Officer
F. Perry Wilson

President and Chief Operating Officer
William S. Sneath

Vice-Chairman
William B. Nicholson

Executive Vice-Presidents
Warren M. Anderson
Douglas H. Freeman
Fred B. O'Mara

Senior Vice-President and General Counsel
Frank R. Lyon, Jr.

Senior Vice-President and Chief Financial Officer
William E. Pardoe

Vice-President and Secretary
John F. Shanklin

Vice-Presidents
J. Goffe Benson
Morse G. Dial, Jr.
Alec Flamm
Robert F. Flood
James S. Freeman
William S. Gray, Jr.
Richard J. Hughes
Fred C. Kroft, Jr.
James C. Malone
Thomas R. Miller
James M. Rehfield
J. Clayton Stephenson
John A. Stichnoth
Elio E. Tarika
F. Bruce Vernon

Treasurer
Stephen E. Nightingale

Controller
Louis G. Peloubet

Regional Vice-President (Far West)
Norman J. Hearn

COMMITTEES OF THE BOARD

EXECUTIVE COMMITTEE

F. Perry Wilson, *Chairman*
R. Manning Brown, Jr.
Frank R. Lyon, Jr.
Birny Mason, Jr.
William S. Sneath

AUDIT COMMITTEE

R. Manning Brown, Jr., *Chairman*
Roberto de Jesus Toro
Jack B. Jackson

COMPENSATION COMMITTEE

Robert E. McNeill, Jr., *Chairman*
James L. Ferguson
Birny Mason, Jr.
Ian D. Sinclair

PUBLIC POLICY COMMITTEE

Jerome H. Holland, *Chairman*
Roberto de Jesus Toro
James M. Hester
William S. Sneath

MANAGEMENT COMMITTEE

F. Perry Wilson, *Chairman*
William S. Sneath
William B. Nicholson
Warren M. Anderson
Douglas H. Freeman
Fred B. O'Mara
William E. Pardoe
J. Goffe Benson, *Secretary*

Principal Stock Exchange Listing—New York Stock Exchange (Ticker Symbol **UK**).
Other Stock Exchange Listings—United States: Midwest and Pacific. Overseas: Amsterdam, Basle, Brussels, Paris, and Zurich.
General Offices—270 Park Avenue, New York, N.Y. 10017. Telephone: (212) 551-2345.
Stock Transfer Agent—Union Carbide Corporation, Saw Mill River Road, Route 100C, Tarrytown, N.Y. 10591.
Registrar—Manufacturers Hanover Trust Company, 4 New York Plaza, New York, N.Y. 10004.
Annual Meeting of Stockholders—April 28, 1976, at 10:30 a.m. at 270 Park Avenue in New York City.

A copy of Union Carbide Corporation's Annual Report on Form 10-K for the year ended December 31, 1975, filed with the Securities and Exchange Commission, will be made available without charge upon written request addressed to:

Secretary
Union Carbide Corporation
270 Park Avenue
New York, N.Y. 10017

UNION
CARBIDE